

ANNUAL REPORT TO CONGRESS
ON
THE EQUAL CREDIT OPPORTUNITY ACT
FOR THE YEAR 1976

Board of Governors of the Federal Reserve System

February 1, 1977

TABLE OF CONTENTS

	<u>Page</u>
I. ADMINISTRATIVE FUNCTIONS	
A. The Equal Credit Opportunity Act and Regulation B	1
B. Amendments and Interpretations of Regulation B	4
C. The 1976 Amendments to the Act and the issuance of amended Regulation B	6
D. Education	12
E. Consumer Advisory Council	13
II. ENFORCEMENT AND ASSESSMENT OF COMPLIANCE	
A. The Board's enforcement activities	14
B. Enforcement activities of the other agencies	16
C. Assessment of compliance	19
APPENDIX A -- Consumer Advisory Council Members	
APPENDIX B -- Rules of Organization and Procedure of the Consumer Advisory Council	

The Board of Governors of the Federal Reserve System is pleased to submit to Congress this first Annual Report on the Equal Credit Opportunity Act. The report includes a discussion of Regulation B which was adopted by the Board in October 1975 to implement the Act's prohibition of discrimination in credit on the basis of sex and marital status. During 1976, the Equal Credit Opportunity Act was amended by extending its prohibition of discrimination in credit to cover discrimination based on race, color, religion, national origin, age, receipt of public assistance benefits, and the good faith exercise of rights under the Consumer Credit Protection Act. The adoption of the statutory amendments required the revision of the Board's Regulation B. The statutory amendments and revised Regulation B will go into effect on March 23, 1977.

This report also includes a summary of the enforcement actions taken by the agencies assigned administrative enforcement responsibilities under section 704 of the Act and an assessment of the extent to which compliance with the requirements of the Act is being achieved. The Board is not making recommendations for statutory amendments at this time. Such recommendations, if any, will be made in the Board's regular Annual Report to Congress.

I. ADMINISTRATIVE FUNCTIONS

A. The Equal Credit Opportunity Act and Regulation B

In order to implement the original Act's prohibition of sex and marital discrimination in credit, the Board engaged in a rule-making proceeding beginning in April 1975 when the first proposed version of Regulation B was issued for comment. Public hearings on the proposal were held at the Board

on May 28 and 29, 1975. Twenty-eight individuals and consumer groups, banking, retail, and financial organizations testified as to improvements that could be made in the regulation, as well as the effects the regulation would have on the consumer, on credit standards, and on the availability of credit generally.

Written comments on the proposed regulation were received by mail until June 30, 1975, from over 700 banks, consumers, consumer groups, financial institutions, retailers, trade associations, loan companies, and credit bureaus, as well as Federal and State regulatory agencies. Commentator suggestions included adding prohibitions of discrimination on the basis of race, color, religion, and national origin, reorganization of the regulation along functional lines, and instituting educational requirements as to its provisions. Criticism included allegations that there would be detrimental effects on consumers due to the possibility of increased costs of credit, the raising of credit standards, and the ensuing restrictions on the availability of credit.

After careful consideration of the oral testimony at the public hearings and the 700 written letters of comment on the proposed Regulation B, the Board issued a second version for comment on September 5, 1975. About 600 additional comments were received from creditors, women's groups, individuals, representatives of State and local governmental bodies, and the members of Congress. The Board again evaluated the numerous suggestions for further technical changes and issued a final version of Regulation B on October 16, 1975.

Regulation B provides in part that:

--A creditor may not refuse to grant a separate account to a creditworthy applicant because of the applicant's sex or marital status.

--A creditor may obtain information concerning the spouse of an applicant only if

-the spouse will use the account;

-the spouse will be contractually liable for the account; or

-the applicant is relying on the spouse's income or on community property.

--A creditor may require the signature of a non-applicant spouse when required by State law (or reasonably believed to be so required) to pass clear title, create a valid lien, or waive inchoate rights. In addition, a creditor may require a co-signer if the applicant does not meet the creditor's standards of creditworthiness.

--A creditor may not discount the income of an applicant or an applicant's spouse because of sex or marital status.

--A creditor may not ask about childbearing capability or intentions nor make assumptions or use statistics relating to the likelihood of a woman's leaving the labor force to bear or rear children.

--After June 1, 1977, creditors that furnish credit information to consumer reporting agencies or to other creditors will be required to designate accounts which both spouses use or for which both are contractually liable, and to report information about these accounts as to both spouses. This requirement is designed to insure that married women will develop credit histories in their own names.

B. Amendments and Interpretations of Regulation B

1. Amendments

In June 1976, the Board amended section 202.13 to provide that the Director and other officials of the Division of Consumer Affairs are authorized to issue, at their discretion, interpretations of the regulations. This provision implements section 706(e) of the amended Act. Creditors acting in good faith conformity with an official staff interpretation will not be held liable for violating the Act or Regulation B.

Official staff interpretations will be issued where necessary to clarify technical ambiguities in the regulation that do not have broad policy implications. The Board specifically excluded from the authority of the designated officials the power to approve a particular creditor's forms because of the inordinate burden this would impose on Board resources. However, the problem of designing forms that comply with the regulation should be substantially reduced by the inclusion in the amended Regulation B of several model application forms. Creditors are not, of course, required to use the model forms, but if a creditor chooses to use one of the models, it will be assured of being in compliance with the informational requirements of Regulation B.

Official staff interpretations will be published in the Federal Register. Regulation B includes procedures for Board review of staff interpretations upon formal request of interested parties. In 1976, two official staff interpretations of Regulation B were issued.

In May 1976, the Board proposed to amend section 202.6 of Regulation B, which relates to the reporting of credit experience in order to facilitate compliance. In view of the comments received, the

Board determined not to adopt the proposed amendment, but to achieve its objective of facilitating compliance, the Board postponed the effective date of the section. Accordingly, the effective date of this provision was changed from November 1976 to June 1977.

The Board also adopted several technical amendments to Regulation B, which are discussed below.

--Section 202.4(d) was amended to provide that where more than one applicant is involved in a transaction, a creditor need furnish the Equal Credit Opportunity Act notice only to one of them.

--Section 202.5(d)(2) was amended by deleting the superfluous phrase "under section 202.4(c)(3)."

--Section 202.9(a) was amended to make it clear that creditors are required to retain a copy of the notification of action taken furnished to the applicant and a copy of the reasons for denial, if this document is provided to the applicant. The amendment also provides that if a creditor uses an automated system for generating form letters, the creditor need not retain a copy of each such letter.

--Section 202.10 was amended to provide that creditors need not furnish reasons for denial in connection with applications for business credit in excess of \$100,000.

--Section 202.10 also was amended by adding a new subsection (f), which provides that in connection with an application for a loan under a Federal or State student loan program, a creditor may obtain the signature of the applicant's spouse in order to verify marital status and financial resources.

--Section 202.14 was amended by changing the effective date of paragraph (1) of section 202.5(d) to June 30, 1976.

2. Interpretations

In March, the Board published an interpretation of Regulation B authorizing creditors to modify the Equal Credit notice prescribed in the regulation by adding a reference to any similar State law and the name and address of the relevant State enforcement agency.

C. The 1976 Amendments to the Act and the issuance of amended Regulation B

The adoption of extensive amendments to the Equal Credit Opportunity Act in March 1976 made a revision of Regulation B necessary. The statutory amendments expand the Act's prohibition of discrimination to include discrimination based on race, color, religion, national origin, age, receipt of income from public assistance programs and the good faith exercise of rights under the Consumer Credit Protection Act. In addition, the amended Act:

--Requires creditors to notify applicants of action taken on their applications and provide reasons for adverse action either automatically or upon request.

--Authorizes creditors to ask about and consider an applicant's age in order to favor the applicant.

--Forbids the use of age in a credit scoring system unless the system is demonstrably and statistically sound and the age of an elderly applicant is not assigned a negative factor or value.

--Lengthens the statute of limitations for instituting actions under the Act from one year to two years and increases the maximum award for punitive damages in a class action from \$100,000 to the lesser of \$500,000 or one per cent of the creditor's net worth.

--Authorizes the Attorney General to prosecute matters referred by the enforcement agencies and to institute suits whenever there is reason to believe that one or more creditors are engaged in a pattern or practice of discrimination in violation of the Act.

--Authorizes creditors to differentiate among applicants on a prohibited basis such as race, in connection with special purpose credit programs.

Some of the amendments went into effect immediately but the substantive provisions will take effect on March 23, 1977.

On April 27, the Board held a preliminary hearing as a first step toward implementing the statutory amendments. Witnesses were asked to address the following issues in their testimony:

1. Examples of existing discrimination based on race, color, national origin, religion or age, and approaches to eliminating the discrimination;
2. Examples of existing discrimination based upon the receipt of income from public assistance programs, and approaches to eliminating the discrimination;
3. Standards for determining what constitutes a statistically sound credit scoring system;

4. Standards for determining what constitutes negative scoring as it relates to elderly persons;

5. Standards for determining what qualifies as a credit assistance program for economically disadvantaged persons;

6. Standards for determining what qualifies as a special assistance program offered by for-profit institutions to meet special social needs;

7. Standards for determining what classes of business credit might be exempted from all or part of the provisions of the Act because the application of the provision does not contribute substantially to carrying out the purpose of the Act;

8. Standards for determining whether State laws are more protective, inconsistent, or substantially similar;

9. Types of records creditors should be required to retain and the length of the retention period;

10. The information which creditors should be permitted or required to request relating to the prohibitions of the act as amended; and

11. The cost of implementing the Act and the impact of the Act on the availability and cost of credit.

The principal issues addressed by witnesses at the preliminary hearing were the provisions relating to the preemption of State law, suggestions for defining the terms "elderly" and "demonstrably and statistically sound" credit scoring systems, and the application of the "effects test," a judicial doctrine enunciated in cases in the area of employment discrimination.

The preliminary hearing provided the Board with much valuable information. On July 20, the Board published for public comment its first proposal for revising Regulation B. Hearings on the proposal were held on August 12 and 13. Thirty-three witnesses testified, on some of the same issues raised at the preliminary hearing and on other issues, such as the desirability of requiring notation of information as to race, age, sex and marital status about applicants for credit.

More than 600 written comments were received regarding the proposal. Numerous comments urged the Board to exempt business credit from certain provisions of the regulation. A number of commentators praised the reorganization of the regulation and the inclusion of model application forms. Creditors criticized government regulation in general, and expressed concern that the credit industry, particularly the banking sector, was over-regulated and the consumer over-protected.

After considering the testimony and the comments, the Board published a second proposal on November 3. The Board received more than 500 comments, many of which criticized the proposal to require creditors to note the race/national origin, sex, marital status and age of applicants for residential mortgage credit. After consideration of the comments, the Board announced on December 29 the adoption of the revised version of Regulation B. The principal provisions of the revised regulation are discussed below.

The amended Act and regulation prohibit discrimination based on age, but the prohibition is qualified, not absolute. Creditors that rely on judgmental rather than credit scoring systems for evaluating creditworthiness are permitted to consider age to evaluate the amount and probable continuance of income levels, credit history, length of employment, and other "pertinent elements of creditworthiness."

A creditor that uses an empirically derived credit scoring system is permitted to consider age only if the system is "demonstrably and statistically sound." The regulation establishes standards which such systems must meet in order to qualify as "demonstrably and statistically sound." These standards prescribe technical requirements for developing and validating the system.

The Act specifies that even in a demonstrably and statistically sound credit system, the age of an elderly applicant may not be assigned a "negative factor or value." The Act does not define "elderly" or "negative factor or value." Regulation B defines elderly as age 62 or older and "negative factor or value" as a factor that is less favorable than the factor or value assigned to the class of applicants that is not elderly and that is most favored on the basis of age. Thus, an applicant who is 62 years old or older may not be given a lower score for age than the best score given to any age group below 62. Age 62 was chosen because that is the earliest age at which retirement benefits are paid by the Social Security Administration.

Finally, the regulation bars creditors from terminating an account or denying credit because credit insurance is not available because of the applicant's age. A creditor may, however, take the unavailability of credit insurance into account in setting rates and terms of credit.

The Act and revised Regulation B impose certain notification requirements on creditors. A creditor must notify an applicant of action taken, that is, whether the credit is granted or denied. When credit is granted, the regulation permits a creditor to notify the applicant orally or by implication (for example, where the applicant receives the credit card, money, property or services requested).

Adverse action triggers more extensive notification requirements. First, the notification must be in writing, and must include a notice advising the applicant of the existence of the Federal Equal Credit Opportunity Act and the name and address of the Federal agency responsible for administering compliance by that creditor. In addition, the creditor must either provide a written statement of the specific reasons for the action taken, or must advise the applicant, in writing, of the right to receive such a statement upon request.

In order to assist Federal agencies in monitoring and enforcing compliance with the amended Act, the Board adopted a notation requirement in amended Regulation B. As to applications for loans for the purchase of residential real property, the regulation requires creditors to request information from applicants regarding race/national origin, sex, age, and marital status. Applicants will be advised that the information is sought by the Federal government for the purpose of monitoring compliance with Federal anti-discrimination laws, and they will have the option of declining to supply the information.

The regulation also permits the agencies that have enforcement responsibilities under the Act to substitute their own monitoring program for the Regulation B requirements. This provision is intended to prevent duplication and to permit experimentation.

Because different enforcement agencies have jurisdiction over the creditors collecting the information, no uniform tabulation or collection procedures are prescribed in the regulation. Thus, each agency may formulate its own procedures for the collection and use of the data.

The regulation preempts State law only if it is inconsistent with the Federal Act and is less protective. Revised Regulation B contains guidelines enumerating certain specific types of State law provisions that are deemed to be inconsistent and less protective and that are, therefore, preempted (for example, a State law that either requires or permits a practice prohibited by the Act or Regulation B; or one prohibiting individual extensions of credit to a husband and wife).

In addition, the Act and regulation provide that where a State law is more protective of applicants or substantially similar, the State may apply for an exemption from the Federal law for a class or classes of State regulated transactions. The regulation prescribes the procedures for an exemption application and the criteria under which such an exemption will be granted by the Board. Where an exemption is granted, a failure to comply with the State law, in a transaction that is subject to the exemption, will constitute a violation of the Federal Act and regulation for purposes of the Act's civil liability provisions.

The regulation expressly provides that State property laws, laws relating to decedents' estates, and banking regulations directed to solvency of financial institutions are not preempted.

D. Education

Educational efforts by the Board, the enforcement agencies and the Reserve Banks have been addressed to both creditors and consumers. These efforts have included speeches and seminars offered to consumer and creditor groups, radio and television appearances, distribution

of printed educational materials, and responses to oral and written inquiries concerning the requirements of the Act and regulation.

The Federal Reserve Bank of Kansas City prepared a booklet entitled "Annotated Summary of Regulation B." To date, the Bank has distributed approximately 6,000 copies of this booklet. The Federal Trade Commission has prepared a consumer pamphlet summarizing Regulation B (40,000 copies of the pamphlet have been furnished to the National Consumer Information Center in Boulder, Colorado for distribution).

In an effort to tailor its educational efforts to actual rather than assumed needs and desires of consumers, the Board has authorized a comprehensive survey of the adult consumer population. The survey is designed to learn more about credit use and consumer needs as well as to provide useful information about consumer awareness and use of existing consumer credit legislation.

The Board has also participated in a new interagency Consumer Education and Information Liaison sponsored by the Office of the Consumer Affairs of the Department of Health, Education and Welfare. The Liaison was established to provide a voluntary forum for interagency communication about and discussions of Federal consumer education materials and programs.

The Board is preparing several pamphlets on the Act and Regulation B. One pamphlet will relate to sex and marital status discrimination and another will relate to the prohibition of age discrimination.

E. Consumer Advisory Council

The amended Act directs the Board to establish a Consumer Advisory Council to assist the Board in implementing the Consumer Credit Protection

Act, and to advise and consult with the Board on consumer-related matters. Members of the Council were chosen in September from more than 400 candidates following publication of a notice that the Board was seeking the names of qualified individuals. Council membership includes a broad representation of consumer and creditor interests. The Council is chaired by former Congresswoman Leonor K. Sullivan. A list of Council members is attached as Appendix A.

The Council met for the first time on November 11 and 12. During its first session the Council acquainted itself with the Board's responsibilities and functions in the area of consumer credit and discussed several current issues, including the proposed amendments to Regulation B. The Council is scheduled to meet quarterly; its next meeting will be March 10, 1977. Council meetings are open to the public pursuant to its Rules of Organization and Procedure (see Appendix B).

II. ENFORCEMENT AND ASSESSMENT OF COMPLIANCE

A. The Board's Enforcement Activities

Primary operational responsibility for enforcing the Equal Credit Opportunity Act with respect to State member banks rests with the Federal Reserve Banks. The Banks carry out this responsibility through examinations and investigation of complaints. During 1976 some Reserve Banks experimented with conducting separate consumer examinations, while other Banks found it more effective to examine for compliance with the Act during the regular commercial examination.

Investigation of complaints is the second major tool used by the Federal Reserve Banks. Each complaint against a State member bank is investigated and where appropriate, brought to the attention of management for corrective action.

The Board places a high priority on improving compliance with consumer credit laws on the part of State member banks and has adopted a new consumer regulation compliance program to strengthen the System's enforcement capabilities. The program has two aspects. First, each Federal Reserve Bank will provide advisory and educational services to State member banks and consumers concerning the Federal consumer credit laws. The second aspect of the program is special examinations of State member banks to determine compliance with these laws. These examinations will be conducted by specially trained examiners. To insure that trained staff is available to carry out the examination program, the Board conducted two consumer regulation schools during the Fall of 1976. The Board expects to conduct such specialized schools on a regular basis.

The Board also has established a task force to study the area of enforcement and recommend methods for improving State member bank compliance with the consumer credit regulations. The task force has considered the following matters: updating the examiner manuals; developing an examiner's checklist for use in examinations; developing a uniform compliance report separate from the commercial examination report; developing proper sampling techniques and methods for correcting violations discovered.

B. Enforcement Activities of the Other Agencies

The following is a summary of information supplied to the Board by the other enforcement agencies.

The Comptroller of the Currency, which is responsible for enforcing the Act with respect to national banks, has sent letters to the presidents of all national banks setting forth the main provisions of the Act and Regulation B and offering suggestions on how banks might comply. In addition, the Comptroller has held special schools to familiarize its examiners with the law and has conducted a program of consumer examinations. Like the Board of Governors, the Comptroller investigates consumer complaints that allege sex or marital status discrimination.

The Federal Deposit Insurance Corporation enforces the Act with respect to insured non-member banks. The FDIC has conducted training sessions for examiners and has increased the number of consumer examinations. The FDIC also makes a thorough inquiry of each complaint alleging sex or marital status discrimination to determine the merits of the complaint. Appropriate supervisory action is taken if a violation is discovered.

The FDIC and Comptroller of the Currency are conducting a joint mortgage lending survey in approximately 300 banks. The survey form has two parts. One part requires the bank to report certain economic data about the loan applicant. The other part requests the loan applicant to forward to the agencies data on race, sex, religion and certain other personal characteristics.

The Federal Home Loan Bank Board enforces the Act with respect to Federally-chartered savings and loan associations. The agency reports

that it sent two informational memoranda to every insured savings and loan association. Compliance with the Act is checked as part of the regular examinations conducted by the agency.

The National Credit Union Administration enforces the Act with respect to Federally-chartered credit unions. Like the other financial regulatory agencies, NCUA's enforcement activities take the form of examinations and investigation of complaints. Appropriate corrective action was taken in situations where possible violations were encountered. NCUA also has established a Division of Consumer Affairs which will serve as a focal point for all programs affecting the agency's enforcement of consumer protection regulations.

The Interstate Commerce Commission is responsible for enforcing the Act with respect to regulated common carriers. It is the Commission's opinion that common carriers are forbidden to discriminate in the granting of credit by section 3(1) of the Interstate Commerce Act and, therefore, that the Equal Credit Opportunity Act does not have a significant impact on the operations of common carriers.

The Civil Aeronautics Board enforces the Act with respect to air carriers and foreign air carriers. The Board reports that it distributed copies of Regulation B to all carriers subject to its jurisdiction and to all individuals who inquired about the Act or regulation. The Board responded to requests for information from consumers, creditors and women's groups and investigated and resolved all complaints alleging sex or marital status discrimination.

The Farm Credit Administration enforces the Act with respect to Federal land banks, Federal land bank associations, Federal intermediate credit banks and production credit associations. The FCA carries out its enforcement responsibilities in the course of its regular examination of these institutions.

The Securities and Exchange Commission enforces the Act with respect to brokers and dealers. At the suggestion of the Commission's staff, the Securities Industry Association prepared and transmitted to all of its members a "legal alert" explaining the Act and Regulation B. The Commission has not received any consumer complaints of discrimination and, thus, it has not been necessary to establish a separate enforcement effort.

The Small Business Administration enforces the Act with respect to small business investment companies. The agency sent notices to all SBA program offices requesting them to notify all SBA recipients of the requirements of the Act. Monitoring compliance with the Act is accomplished by reports and on-site reviews wherein the recipient's credit practices are closely scrutinized.

The Federal Trade Commission enforces the Act with respect to all creditors not subject to the jurisdiction of the agencies mentioned above. The Commission's Equal Credit Opportunity program has three components: (1) a consumer education component designed to inform consumers of their rights and responsibilities under the law; (2) an industry education component designed to advise creditors of the requirements of the law and to correct possible violations at an early stage through informed, voluntary means where appropriate; and (3) a litigation component

designed to raise the level of compliance with the law by bringing selected enforcement actions which have a high precedential value and deterrent effect. With regard to the third component, the Commission recently issued its first complaint alleging a violation of the Act and has initiated preliminary investigations of several small loan companies and retail creditors.

Between January 1, 1976 and December 1, 1976, the Commission received approximately 2,060 consumer complaints. The Commission responded to each of the complaints by providing a description of the provisions of the regulation which might be applicable to the specific situation as well as general information about the law.

The Commission has prepared a consumer pamphlet which it distributes to consumers (40,000 copies of the pamphlet have been furnished to the National Consumer Information Center in Boulder, Colorado for distribution through its nationwide channels). The Commission's complaint files serve as the primary means of identifying creditors whose practices may warrant further investigations for compliance with the Act.

C. Assessment of Compliance

Based on reports from the other Federal enforcement agencies and the Federal Reserve Banks, the Board believes that in the first full year since the law became effective, good progress was made toward achieving compliance with the law. The great majority of violations of the regulation which have been discovered through examinations and investigations

of consumer complaints were of a technical nature and generally resulted either from inadvertence or misunderstanding of the regulation. In almost all cases, management initiated corrective action when informed of violations.

The greatest obstacle to full compliance appears to be a lack of understanding of the law. The Federal Reserve Banks, for example, report that smaller banks experience particular difficulty keeping abreast of recently enacted laws and regulations. Recognition of this problem has led the Board to increase its educational efforts as described above.

C O N S U M E R A D V I S O R Y C O U N C I L

Board of Governors
Federal Reserve System

CHAIRMAN

Leonor K. Sullivan
U.S. House of Representatives

Mrs. Sullivan has been in Congress for 24 years, beginning in 1952. She was the first woman elected to Congress from Missouri. For 12 years, from 1963 to 1975, Mrs. Sullivan was Chairman of the Subcommittee on Consumer Affairs of the House Banking and Currency Committee. She was one of the primary authors of the Consumer Credit Protection Act of 1968, which included the Truth in Lending Act. In 1970 Mrs. Sullivan sponsored the Fair Credit Reporting Act in the House. She was a member of the National Commission on Consumer Finance from 1969 to 1972. In 1974 Mrs. Sullivan proposed legislation to forbid discrimination in the extension of credit on the basis of sex, marital status, race, color, religion and age. These proposals are now embodied in the Equal Credit Opportunity Act. Mrs. Sullivan sponsored the Food Stamp Act in 1964. Mrs. Sullivan is currently Chairman of the House Committee on Merchant Marine and Fisheries, and ranking majority member of the Committee on Banking, Currency and Housing and of that Committee's subcommittees on Housing and Community Development, and Consumer Affairs. In addition, she chairs the Joint Committee of the Congress on Defense Protection and its House Materials Availability Subcommittee.

VICE CHAIRMAN

William D. Warren
Los Angeles, California

Mr. Warren is Dean of the School of Law of the University of California at Los Angeles. He was reporter-draftsman of the Uniform Consumer Credit Code, 1964 to 1974, and has been a consultant on consumer law and debtor/creditor law to the National Commission on Consumer Finance and various California agencies. Mr. Warren is the author of books and articles concerning commercial and consumer law. He taught law at Stanford University and the University of Illinois before joining UCLA.

MEMBERS

Barbara D. Blum
Atlanta, Georgia

Ms. Blum is Vice Chairman of the Fulton County Planning Commission and was, until recently, a member of the Atlanta Regional Commission Health and Social Services Advisory Board. She has broad experience as chairman or member of numerous state-wide consumer oriented organizations. Ms. Blum has also worked in the field of mental health. She has a degree of Master of Social Work from Florida State University.

Roland E. Brandel
San Francisco, California

Mr. Brandel is a partner in the law firm of Morrison and Foerster. He is a member of the Committee of the American Bar Association on the Regulation of Consumer Credit. He has worked extensively in the field of bank credit card law. He has been visiting professor of law at the University of California at Berkeley. Mr. Brandel has written and lectured on the subjects of Truth in Lending, Fair Credit Billing, Equal Credit Opportunity and electronic funds transfer.

Agnes H. Bryant
Detroit, Michigan

Mrs. Bryant is Director of the City of Detroit Human Rights Department. She chairs the Michigan Consumer Council, and is vice president of the Consumer Research Advisory Council, a member of the Board of the National Association for the Advancement of Colored People, a member of the Advisory Council of the Wayne County Consumer Protection Agency, and a former member of the Michigan State Advisory Council on Vocational Education.

John G. Bull
Pompano Beach, Florida

Mr. Bull is President and Chief Executive Officer of the Southern BankCard Corporation. He has served two terms as chairman of the bank card division of the Florida Bankers Association, and was chairman of the design specifications committee which developed a computer program for descriptive billing in electronic funds transfer. He has done extensive work on other aspects of the operation of bank card systems.

Robert V. Bullock
Frankfort, Kentucky

Mr. Bullock is Assistant Attorney General in charge of the Division of Consumer Protection in the Office of the Attorney General of Kentucky. He is active in the National Association of Attorneys General's Consumer Protection Committee. He was previously as attorney for the Federal Trade Commission at Cleveland, Ohio, and in Washington, D.C.

Linda M. Cohen
Washington, D.C.

Ms. Cohen is Coordinator of the National Credit Task Force of the National Organization for Women, and has served as spokesperson and lecturer on women and credit for that organization. She has been an attorney-adviser in the General Services Administration since 1973 and is active in local community organizations.

John R. Coleman
Haverford, Pennsylvania

Mr. Coleman is President of Haverford College and Chairman of the Board of Directors of the Federal Reserve Bank of Philadelphia. He is a Trustee and member of the Research and Policy Committee of the the Committee for Economic Development. Mr. Coleman was a member of special CED committees which produced in 1976 statements regarding national policy on "Welfare Report and its Financing" and "Fighting Inflation and Promoting Growth." He is trustee of a number of educational institutions and was formerly a trustee of the Special Development Fund of the National Association for the Advancement of Colored People. Mr. Coleman is the author of a number of books having to do with economics and labor problems. One of his books, "Blue Collar Journal" (1974) recounts his experiences in 1973 when he took leave from his professional occupations to work as a blue collar laborer.

Robert R. Dockson
Los Angeles, California

Mr. Dockson is President and chief executive officer of the California Federal Savings and Loan Association. Prior to joining that Association, he was dean of the undergraduate School of Business and the Graduate School of Business Administration of the University of Southern California at Los Angeles. Mr. Dockson has received the Human Relations Award of the American Jewish Committee and the Brotherhood Award of the National Conference of Christians and Jews.

Anne G. Draper
Washington, D.C.

Ms. Draper is an economic analyst with the AFL-CIO and author of numerous articles, testimony and policy resolutions on consumer matters. She serves on advisory councils in the Department of Labor and the Bureau of the Census. She was formerly a social research analyst with the Social Security Administration and served as an economist with the National War Labor Board and the Office of Price Controls.

Carl Felsenfeld
New York City, New York

Mr. Felsenfeld is Vice President of Citicorp in charge of legal aspects of its consumer-related operations. He is a member of the Committee on the Regulation of Consumer Credit of the American Bar Association and is an adjunct professor of Banking Law at Fordham University. He has served as consultant to the Commissioners on Uniform State Laws in the drafting of the Uniform Consumer Credit Code.

Marcia A. Hakala
Omaha, Nebraska

Ms. Hakala was, until recently, Executive Director of the Mayor's Commission on the Status of Women for the city of Omaha and is a member of a number of other advisory councils and committees working in the fields of manpower planning, women in small business, and problems of older citizens. She has taught at Illinois State University, Cleveland State University, Stout State University, and Indiana University.

Joseph F. Holt, III
Washington, D.C.

Mr. Holt is a consultant to the Federal National Mortgage Association, where he was formerly National Field Representative with responsibility for field operations, especially in the area of discrimination by geographic areas ("red-lining"). Mr. Holt is a former member of the U.S. House of Representatives, and was a member of the Education and Labor Committee and served on House subcommittees responsible for minimum wage legislation and Federal aid for education in impacted areas.

Edna De Coursey Johnson
Baltimore, Maryland

Ms. Johnson is Director of Consumer Services of the Baltimore Urban League. She is a member of the President's Consumer Advisory Council. Ms. Johnson is also a member of the Maryland and Virginia Citizens Consumer Councils, of the Governor's Commission on the Status of Women, and of the Board of Directors of Consumer's Union of the United States. She was formerly a teacher in the Baltimore public Schools.

Robert J. Klein
New York City, New York

Mr. Klein is a senior editor of Money Magazine. He is a member of the National Advisory Council on Small Claims of the National Center for State Courts and served from its inception on the Federal Reserve Board's Truth in Lending Advisory Committee (which the Consumer Advisory Council replaces). He has been a reporter and editor with a number of publications and is the author of numerous articles concerning consumer affairs. Mr. Klein has testified on consumer matters before governmental committees.

Ralph Lazarus
Cincinnati, Ohio

Mr. Lazarus is Chairman of the board of Directors of Federated Department Stores, Inc. He is a Trustee and member of the Research and Policy Committee of the Committee for Economic Development and has been associated with the Stanford Research Institute Council and the Council for Financial Aid to Education. Mr. Lazarus is a Trustee of Dartmouth College and a member of the Rockefeller University Council, among a number of other civic associations.

Percy W. Loy
Portland, Oregon

Mr. Loy is president of the Kubla Khan Food Company. He is serving his third term as a member of the District Advisory Council of the Small Business Administration, is a member of the Business Liaison Committee of the Business School of the University of Oregon, and is a past president of the Frozen Food Council of Oregon and a past member of the Marketing Advisory Council of the Business School of the University of Oregon. He is a member of the Board of Overseers of Lewis and Clark College.

R. C. Morgan
El Paso, Texas

Mr. Morgan is president of the Government Employees Credit Union of El Paso. He is immediate past vice chairman of the National Legislative Forum and chairman of the Governmental Affairs Committee of the Credit Union National Association. He served three terms as president of that Association. He has served as a member and as chairman of the Credit Union Advisory Commission for the State of Texas and as a member of the Texas Credit Union Commission. He has testified on consumer protection issues before committees of the U.S. Senate and House of Representatives and regulatory agencies.

Reece A. Overcash
Dallas, Texas

Mr. Overcash is president and chief operating officer of Associates Corporation of North America. He has served as president of the National Consumer Finance Association and formerly served on the board of directors of the North Carolina Economic Resources Association. He has taught at the National Institute of Consumer Finance at Marquette University and the National Instalment Banking School at the University of Colorado.

Raymond J. Saulnier
New York City, New York

Mr. Saulnier is professor emeritus of economics at Barnard College, Columbia University. He is a former chairman of the President's Council of Economic Advisers and a former director of the Financial Research Program of the National Bureau of Economic Research, where he was responsible for studies of consumer instalment credit. He has written extensively in the field of consumer instalment credit.

E. G. Schuhart
Dalhart, Texas

Mr. Schuhart, a farmer and rancher, has served as vice-chairman and member of the Federal Farm Credit Board (policy-making board for the Farm Credit System). He has also been a member of the Agricultural Stabilization and Conservation Committee for the State of Texas and mayor of the City of Dalhart, Texas. He has been a director of the Farm Credit Board of Houston and a chairman and member of the stockholders' committee of the Federal Land Bank of Houston. He was formerly manager of the Schuhart Grain Company.

James E. Sutton
Dallas, Texas

Mr. Sutton is Secretary and Corporate Counsel of Chilton Corporation. Before joining Chilton in 1973, Mr. Sutton served three years as staff attorney and consumer education consultant in the Texas State Consumer Credit Commission. While in that office, he was charged with enforcing the Texas Credit Code and worked closely with the Federal Truth in Lending Act. Mr. Sutton was also engaged in consumer education programs and participated in the establishment of the Consumer Credit Counseling Service of Greater Dallas and Family Debt Counselors of Corpus Christi.

Anne Gary Taylor
Alexandria, Virginia

Ms. Taylor is a former national president of the American Association of University Women. For 21 years she was president of Sweet Briar College. She has served on the American Council on Education, and was vice-chairman of the Board, and a member of the Commission on Students and Faculty of the Association of American Colleges. She was one of four educational administrators who arranged for the establishment of the United States-India Women's Colleges Faculty Exchange Program.

Richard D. Wagner
Simsbury, Connecticut

Mr. Wagner is president of Wagner Ford Sales, Incorporated. He is a member of the board of directors of the National Automobile Dealers' Association and is chairman of the Association's Public and Consumer Affairs Committee and director of the Association for the State of Connecticut. He established the Connecticut Automotive Consumer Action Panel Program (AUTOCAP).

Richard L. Wheatley, Jr.
Stillwater, Oklahoma

Mr. Wheatley is chairman and chief executive officer of the University Bank at Stillwater. He was the first Administrator of Consumer Affairs for the State of Oklahoma after the State enacted the Uniform Consumer Credit Code, and served as a representative in the State legislature. He has served as consultant with some 30 other State legislatures regarding enactment of the Uniform Consumer Credit Code in those states.

PART 267 - RULES OF ORGANIZATION AND PROCEDURE
OF THE CONSUMER ADVISORY COUNCIL

SECTION 267.1 - STATUTORY AUTHORITY

Section 703 of the Equal Credit Opportunity Act, as amended, provides:

The Board [of Governors of the Federal Reserve System] shall establish a Consumer Advisory Council to advise and consult with it in the exercise of its functions under the Consumer Credit Protection Act and to advise and consult with it concerning other consumer related matters it may place before the Council. In appointing the members of the Council, the Board shall seek to achieve a fair representation of the interests of creditors and consumers. The Council shall meet from time to time at the call of the Board. Members of the Council who are not regular full-time employees of the United States shall, while attending meetings of such Council, be entitled to receive compensation at a rate fixed by the Board, but not exceeding \$100 per day, including travel time. Such members may be allowed travel expenses, including transportation and subsistence, while away from their homes or regular place of business.

SECTION 267.2 - PURPOSES AND OBJECTIVES OF THE COUNCIL

The Council shall advise and consult with the Board in the exercise of the Board's functions under the Consumer Credit Protection Act and with regard to other matters the Board may place before the Council.

SECTION 267.3 - MEMBERS

(a) The Council shall consist of not more than 30 members appointed by the Board. The term of office of each member of the Council shall be three years. However, the initial terms of the members first taking office shall expire as follows: approximately

one-third on December 31, 1977, and approximately one-third at the end of each of the two succeeding calendar years. After the expiration of any member's term of office, such member may continue to serve until a successor has been appointed by the Board. The Board shall have the authority to appoint persons to fill vacancies on the Council.

(b) Resignation. Any member may resign at any time by giving notice to the Board. Any such resignation shall take effect upon its acceptance by the Board.

(c) Compensation. Members who are not regular full-time employees of the United States shall be paid travel expenses, including transportation and subsistence, and compensation of \$100 for each day devoted to attending and traveling to and from meetings.

SECTION 267.4 - OFFICERS

(a) Chairman. The Board shall appoint a Chairman and a Vice Chairman from among the members of the Council, who shall serve at the pleasure of the Board. The Chairman, or in the Chairman's absence the Vice Chairman, shall preside at all meetings of the Council. The Board may appoint a Chairman pro tem who shall preside at a meeting of the Council in the absence of the Chairman and Vice Chairman.

(b) Secretary. The Board shall designate a member of its staff, who may but need not be the representative described in § 267.5(c), to act as Secretary of the Council. The Secretary shall record and maintain minutes of the meetings of the Council.

Minutes of each meeting shall contain, among other things, a record of the persons present, a description of the matters discussed, and recommendations made. The person acting as Secretary at a meeting shall certify to the accuracy of the minutes of that meeting.

SECTION 267.5 - MEETINGS

(a) Time. Meetings of the Council shall be held at least once each year and may be held more frequently at the call of the Board.

(b) Agenda. Each meeting of the Council shall be conducted in accordance with an agenda formulated or approved by the Board.

(c) Board Representation. Each meeting of the Council shall be attended by a representative of the Board who is either a member of the Board or of the Board's staff. The Board representative shall have authority to and shall adjourn any meeting of the Council when such representative considers adjournment to be in the public interest.

(d) Public Nature. (1) Each meeting of the Council shall, to the extent of reasonably available facilities, be open to public observation unless the Board, in accordance with § 267.5(d)(6), hereof, determines that the meeting shall be closed.

(2) Notice of the time, place and purpose of each meeting, as well as a summary of the proposed agenda, shall be published in the Federal Register not more than 45 or less than 15 days prior to the scheduled meeting date. Insofar as is practicable,

a list of persons and organizations interested in the Council shall be maintained, and a notice of each meeting shall be mailed to such persons and organizations at least 15 days in advance of the scheduled meeting date. Shorter notice may be given when the Board determines that its business so requires; in such event, the public, including persons and organizations described in the preceding sentence, will be given notice at the earliest practicable time.

(3) Members of the public may file written statements with the Council prior to the meeting concerning matters on the Council's agenda. The person presiding at the Council meeting may permit members of the public to submit written statements on such matters within a specified time after the Council meeting. All such submissions shall be circulated to the Council members as soon as is practicable.

(4) Oral presentations at the Council meetings by members of the public shall not be permitted except upon invitation of the Council. However, if the Council and the Board determine that public hearings regarding a matter or matters of concern to the Council are warranted, members of the public may make presentations at such hearings in accordance with procedures established therefor.

(5) Minutes of meetings, records, reports, studies, and agenda of the Council shall be available to the public for copying at the Board's offices in Washington, D.C., in accordance with the provisions of 12 C.F.R. 261 (Rules Regarding Availability of

Information). Requests for copies of such documents should be addressed to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C., 20551.

(6) The Board may close to the public any meeting, or any portion of any meeting, of the Council if it determines that such meeting or portion thereof is likely to:

(i) disclose matters that relate solely to internal personnel rules and practices of the Council;

(ii) disclose trade secrets and commercial or financial information obtained from a person and privileged or confidential;

(iii) involve accusing any person of a crime, or formally censuring any person;

(iv) disclose information of a personal nature where disclosure would constitute a clearly unwarranted invasion of personal privacy;

(v) disclose information contained in or related to examination, operating or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions;

(vi) disclose information the premature disclosure of which would be likely to lead to significant financial speculation in currencies, securities, or commodities or significantly endanger the stability of any financial institution;

(vii) disclose information the premature disclosure of which would be likely to frustrate significantly implementation of

a proposed Board action, unless the Board has already disclosed to the public the content or nature of its proposed action, or where the Board is required by law to make such disclosure on its own initiative prior to taking final action on the proposal; or

(viii) which relate to any legal proceedings, agency adjudicatory proceeding or arbitration involving the Board or the Council.

If the Board closes a meeting or any portion of a meeting, the Council will issue, at least annually, a report containing a summary, consistent with 5 U.S.C. 552(b)(1970), of the Council's activities during such closed meetings or portions of meetings.

SECTION 267.6 - AMENDMENTS

These rules of organization and procedure may be amended or repealed at any time by action of the Board, provided, however, that members of the Council shall be promptly notified by the Board of any such action.

By order of the Board of Governors, November 1, 1976.

(signed) Theodore E. Allison
Theodore E. Allison
Secretary of the Board

[SEAL]