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320 First Street, N.W.  
Washington, D C. 20552

Federal Home Loan Bank System  
Federal Home Loan Mortgage Corporation  
Federal Savings and Loan Insurance Corporation

Federal Home Loan Bank Board

February 23, 1977

Robert M. Rader, Esq.  
Department of Justice, Civil Division  
Room 3339  
Washington, D. C.

Re: National Urban League, et al. v.  
Comptroller of the Currency, et al.  
(D. D. C. No. 76-0718)

Dear Mr. Rader:

Pursuant to your oral request and as a result of the extensive settlement negotiations held between the parties during the past 60 days, we enclose our response to plaintiffs' proposed settlement of the captioned case. As you are aware, this agreement is subject to ratification by the Chairman and Members of the Board itself; references to "the Board" should therefore be construed as "the staff of the Board".

Numbering is consistent with that used throughout the negotiations.

1. Racial/sexual notation; loan officer requirement.  
The Board agrees that its regulatees will provide an opportunity for each mortgage loan applicant to note his/her race and sex. The Board will not impose a requirement that the loan officer fill in the racial data where the applicant declines to do so. The Board will either -- (a) contact all its insured institutions to request that the loan officer fill in such data where the applicant declines to do so and will phrase its request in a positive, rather than a neutral way; or (b) use its best efforts to obtain voluntary agreement from about 50-100 S&L's to have their staffs fill in the racial notation where the applicant declines to do so.

Within one year following the implementation of this system, the Board will review -- in accordance with the provisions of section 10 of the agreement -- the procedure set forth in this section 1 of the agreement in order to determine its effectiveness.

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It should be understood that the one-year review, insofar as it relates to the data collected under this section 1, will deal only with review of the data base itself. In other words, this review will be limited to the effectiveness of the system for collection of racial/sexual data and will not encompass any specific enforcement actions resulting from the collection of this data.

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2. Collation and Analysis of Racial/Sexual Data.

The Board will use its best efforts to develop and implement the best possible feasible system for collation and analysis of the racial/sexual data collected in accordance with Section 1 of this agreement -- that is, a system which will produce effective and meaningful use of the aforesaid data without undue expense or hardship. The Board is willing to review this matter within one year following implementation of the system in accordance with the provisions of section 10 of the agreement.

as an aid to the compliance program (through)

3. HMDA data.

[The Board does not believe that it is feasible to develop a system for the collection and analysis of HMDA data in a manner that will enable such data to be usable in the enforcement of nondiscrimination in mortgage lending. However, the Board currently is investigating the usefulness of HMDA data and will use its best efforts to develop a meaningful system for the use of this data if, contrary to the Board's present belief, it reasonably appears possible to devise such a system.]

Examiner will examine data

The Board agrees that its efforts in this area will be subject to review under section 10 of the agreement.

4. Examiner training.

The Board understands that its present programs in this area are satisfactory to plaintiffs subject to later review under section 10 of the agreement.

set out as appendix?

5. Use of Civil Rights Specialists.

The Board is willing to provide extensive training in civil rights matters to one person in each district who would spend approximately 50% of his/her time on civil right matters and who would be on a level which would enable him/her to have reasonably direct access to the District Director. In addition, the Board is willing to hire, on a contract basis for a specified period of time, civil rights specialists (that is, people with extensive civil rights backgrounds) to work in Washington to assist in the training and guidance of the civil rights specialists in the field and the Washington and field staffs generally.

will

As an alternative to hiring such contract specialists, the Board is considering hiring a full-time civil rights specialist who would have the title of Special Assistant to the Director of the Board's Office of Examinations and Supervision (OES) and who would report directly to said Director of OES.

6. Complaint processing procedures. The Board is now in the process of developing civil rights complaint processing procedures. These procedures will include ~~flexible time frames~~ for actions thereunder, with exceptions for special circumstances. Within 30 days following the date of the settlement, the Board will provide plaintiffs with an outline of said proposed procedures, will allow plaintiffs an opportunity to comment thereon, and will consider plaintiffs' comments. *corrects*

7. and 8. Special examinations; announcements of potential sanctions. The Board agrees that, as a general rule, it will apply the same procedures concerning special examinations, supervisory letters, cease and desist orders, etc. in cases of suspected or observed civil rights violations as in cases of other kinds of violations, and that it will so advise its regulatees, without, however, referring to specific sanctions. The Board understands that plaintiffs have indicated their satisfaction with this response. *emphasize serious use of process*

9. Antidiscrimination regulations. The Board understands that its present antidiscrimination regulations are satisfactory to the plaintiffs. *review*

10. Information to be provided to plaintiffs; coordination with plaintiffs in the future. Plaintiffs' memorandum of February 16, 1977 entitled "Information/Reports Needed from Banking Agencies" contains eleven lettered items (A through K) indicating information which plaintiffs request that the Board provide them on a periodic basis (approximately annually). The Board will provide plaintiffs all data requested in said memorandum, to the extent that such data is available, except as noted herein.

a. The Board will not provide any data which identifies specific savings and loan associations, nor will it provide confidential instructions to examiners on specific examination techniques;

b. The Board will not provide information requested in paragraph C of plaintiffs' memorandum, except that it will provide plaintiffs with compilations of data showing breakdowns by

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race and sex of the number of loan applications received and loans granted in various cities or regions and in various associations, to the extent that it has such compilations available. Individual associations will not be identified; ~~and agency conclusions and analyses will not be made available;~~ and

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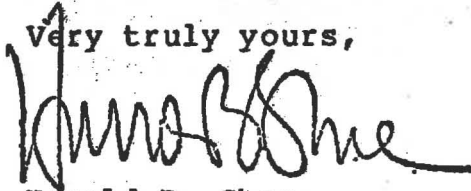
c. No copies of examination reports, or excerpts therefrom, will be provided.

The Board agrees that plaintiffs will have input into the Board's mortgage lending nondiscrimination enforcement programs in order to provide the Board with suggestions for improvements therein. Specifically, this means that Board representatives will meet periodically with representatives of plaintiffs to discuss the Board's various programs in this area, and to receive suggestions from them. Plaintiffs will receive some explanation when their recommendations are rejected. It should be understood that the responsibility for implementation of these programs is the Board's and not the plaintiffs'.

11. Attorney's fees. The Board will not agree to pay such fees.

12. Form of settlement. The Board will accept a dismissal of the complaint without prejudice, provided that the plaintiffs agree that they will not resume the litigation except in the event of substantial and repeated future deviations by the Board from the settlement agreement and further agree that in the event of the resumption of said litigation, the relief sought by the plaintiffs will be limited to the enforcement of the commitments made by the Board in the settlement agreement. } ??

Very truly yours,



Harold B. Shore  
Associate General Counsel

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Federal Home Loan Bank System  
Federal Home Loan Mortgage Corporation  
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## Federal Home Loan Bank Board

GARTH MARSTON, Chairman

March 7, 1977

TO: ALL MEMBER ASSOCIATIONS

Enclosed is a copy of revised Regulation B, issued by the Board of Governors of the Federal Reserve System on December 29, 1976 to implement the amended Equal Credit Opportunity Act (ECOA).

Revised Regulation B will become effective March 23, 1977 and will replace existing Regulation B in its entirety. In the interim, existing Regulation B remains in effect.

The Equal Credit Opportunity Act of 1974 prohibits discrimination in the extension of credit on the basis of sex or marital status. The 1976 amendments to the Equal Credit Opportunity Act and revised Regulation B will, as of March 23, 1977, also prohibit discrimination in credit transactions on the basis of race, color, religion, national origin, age, receipt of income from public assistance programs, and good faith exercise of rights under the Consumer Credit Protection Act of 1968.


Three aspects of revised Regulation B are of particular significance to member institutions. First, Section 202.13 of revised Regulation B requires that creditors inquire as to the sex, marital status, race/national origin, and age of applicants seeking credit relating to the purchase of residential real property, where the extension of credit is to be secured by a lien on such property. Applicants must be requested to supply this information, but they cannot be required to provide such information.

Second, after an "adverse action" on an application, creditors are required to give applicants a written notice which includes, among other things, a statement of the specific reasons for the action taken, or a disclosure of the applicant's right to such a statement upon request. Section 202.9(b)(2) makes clear that "statements that the adverse action was based on the creditor's internal standards or policies or that the applicant failed to achieve the qualifying score on the creditor's credit scoring system are insufficient." Revised Regulation B also requires that creditors retain records concerning applications for at least 25 months after the date the creditor notifies the applicant of action taken on the application.

Finally, attention should be called to Section 202.8 of revised Regulation B, which permits creditors to participate in special purpose credit programs designed for the benefit of economically disadvantaged classes of persons, under certain specified conditions and requirements.

The Federal Home Loan Bank Board fully supports the objectives of the Equal Credit Opportunity Act, as amended, and has implemented appropriate examination procedures to enforce this statute and other nondiscrimination laws. The Board is vigorously opposed to unlawful discrimination in housing finance and suggests that you carefully review your policies, procedures, and practices, and undertake employee training programs where necessary, to assure that you are fully in compliance with all applicable nondiscrimination statutes and regulations.

Sincerely,



Garth Marston

enclosure

Federal  
Home Loan  
Bank  
Board



# NEWS

FEDERAL HOME LOAN BANK SYSTEM FEDERAL HOME LOAN MORTGAGE CORPORATION FEDERAL SAVINGS & LOAN INSURANCE CORPORATION

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For Release to A.M. Newspapers

Monday, March 7, 1977

Federal Home Loan Bank Board Chairman Garth Marston in a letter to all member institutions today reaffirmed the Federal Home Loan Bank Board's commitment to equal opportunity in housing finance and suggested that member institutions review their current practices and undertake employee training programs whenever necessary to assure full compliance with nondiscrimination statutes and regulations.

In the letter, Marston stated, "The Federal Home Loan Bank Board fully supports the objectives of the Equal Credit Opportunity Act, as amended, and is vigorously opposed to unlawful discrimination in housing finance.

Commenting on the letter Chairman Marston said, "The Equal Credit Opportunity Act does not require anyone to make unsound loans and compliance will not result in unsound loans.

"We are living in a constantly changing world, and I suggest that all lending institutions review their underwriting standards regularly to assure that they are not inadvertently excluding economically sound loans.

"Equal opportunity in housing finance is clearly the law of the land. But more importantly, equal opportunity is simply a matter of good business.

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