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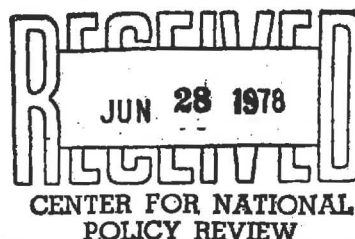
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225-4247

June 14, 1978



Honorable G. William Miller
 Chairman
 Board of Governors
 Federal Reserve System
 Federal Reserve Building
 Washington, D. C. 20551

Dear Mr. Chairman:

It appears from evidence available to me that the Federal Reserve, in examining banks to determine whether they are complying with the various anti-discrimination laws in mortgage lending, is deliberately ignoring a potentially valuable source of information. I refer to the disclosures made by banks at the local level under the Home Mortgage Disclosure Act of 1975.

On June 14, 1976, I wrote to Chairman Burns expressing concern over the statements made by Governor Jackson upon the release of the Board's Home Mortgage Disclosure regulation on June 9, 1976. At that time Governor Jackson said that the Federal Reserve System did not plan to use the information made available under the regulation to detect possible discrimination. I said then, and still believe, that information gathered under the Home Mortgage Disclosure Act can be a valuable tool in fighting discriminatory lending.

In his June 30, 1976, reply to me, Chairman Burns assured me that:

The Board requires that examiners make use of available information when evaluating compliance by State member banks with applicable statutes and regulations. The information to be disclosed by member banks under the Home Mortgage Disclosure Act will be no exception. Information of this kind may provide indications as to possible discrimination.

It must, however, be recognized that it cannot prove conclusively that discrimination has occurred.

In connection with the System's use of this information, Governor Jackson has advised Senator Biden, in response to questions during your Committee's recent oversight hearings, that as information becomes available under the Home Mortgage Disclosure Act it will be used as may be feasible and appropriate in the examination process.

Unfortunately, information which has recently come to my attention makes clear that Governor Jackson's statements of June 9, 1976, and not Chairman Burns' letter of June 30, 1976, or the spirit thereof, have formed the basis for the Federal Reserve System's policy in this area. In a brief submitted to the United States District Court for the District of Columbia in the case of the National Urban League v. Board of Governors of the Federal Reserve System, the Federal Reserve System stated that:

The Board does not utilize data available under the Home Mortgage Disclosure Act, 12 U.S.C. 2801 et seq., because the statute was not enacted for fair housing compliance and not tailored to that purpose.

In the same case the Federal Reserve System filed responses to plaintiffs' interrogatories along the same lines:

State whether data required to be collected and maintained by banks under the Home Mortgage Disclosure Act will be used in these three methods of ensuring nondiscrimination compliance: examinations, investigations, and enforcements.

HMDA data is not collected and analyzed by System personnel because such action is not mandated by the Act and would be at variance with its purpose. HMDA is designed to provide a mechanism for interested parties at the local level to learn where depository institutions located in their communities are making home purchase and home improvement loans. It is not an anti-discrimination or enforcement statute; it merely attempts to provide depositors and local government officials with information that may be considered in deciding at which institution to deposit funds.

Finally,
Examination,
the Nation's
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Finally, a document entitled "Home Mortgage Disclosure Act Examination", supplied in February of this year to plaintiffs in the National Urban League litigation, makes clear to bank examiners that:

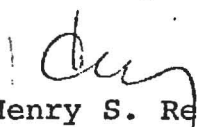
The Act is not an anti-redlining measure...it is simply a disclosure act, relying upon public scrutiny for its effect.

Therefore, the examiner's "task is to insure that the required information is compiled and furnished in the proper form". No other use of the data is suggested.

I believe that the information could help bank examiners detect possible patterns of lending discrimination and should be used for that purpose. No source of information which might help to end illegal discrimination should be ignored.

I have noted with interest the study by Pottinger and Company which concludes that the Fed has assigned a low priority to enforcement of civil rights and equal credit laws. I am sure that in the light of that study the Fed will want to reexamine its whole handling of anti-discrimination enforcement policies and procedures. I would hope that a decision to make full use of all available information, including the disclosures under the Home Mortgage Disclosure Act, will be part of that reassessment.

Sincerely,


Henry S. Reuss
Chairman