

Equal Credit Opportunity Act (ECOA)

Introduction

The examination procedures in this section are primarily for the technical compliance review. Although the fair lending procedures are addressed under a separate section of the Handbook, findings from the technical review may aid the review for fair lending. These procedures should be conducted to ensure compliance with all sections of the subject regulation.

The Equal Credit Opportunity Act (ECOA) prohibits discrimination in any aspect of a credit transaction. It applies to any extension of credit, including extensions of credit to small businesses, corporations, partnerships, and trusts.

The ECOA prohibits discrimination based on

- Race or color,
- Religion,
- National origin,
- Sex,
- Marital status,
- Age (provided the applicant has the capacity to contract),
- The applicant's receipt of income derived from any public assistance program, or
- The applicant's exercise, in good faith, of any right under the Consumer Credit Protection Act.

The Federal Reserve Board's Regulation B, found at 12 CFR Part 202, implements the ECOA. Regulation B describes lending acts and practices that are specifically prohibited, permitted, or required. Official staff interpretations of the regulation are found in Supplement I to 12 CFR Part 202.

Examination Procedures

- Examiners must review compliance with these provisions in all compliance examinations that include review of bank loan files, and they may elect to do so as part of a regular, scheduled supervisory activity that includes a review of fair lending risk.
- Examiners should use copies of the technical compliance checklist to review in detail approved and denied consumer, business, and residential real estate files. If there appear to be any technical violations in those files, the violations should be written up and discussed with management. The examiners should maintain one master checklist to note any observed recurrence of the violations which would aid a comparative file review (if there is one).

Technical Compliance Checklist

The worksheet beginning on the following page can be used to review audit workpapers, evaluate bank policies, perform transaction testing, and assess training as appropriate. Only complete those aspects of the worksheet that specifically relate to the issue being reviewed, evaluated, or tested, and retain those completed sections in the workpapers.

When reviewing audit or evaluating bank policies, a "No" answer indicates a possible exception/deficiency and should be explained in the workpapers. When performing transaction testing, a "No" answer indicates a possible violation and should be explained in the workpapers. If a line item is not applicable within the area you are reviewing, simply indicate "NA."

Underline the applicable use:

- Audit
- Bank Policies
- Transaction Testing

NOTE: Citations are to Regulation B, 12 CFR 202.1 et seq., unless indicated otherwise.

Technical Compliance Checklist			
Requirement (If answer is No, there appears to be a violation)	Yes	No	Basis for Conclusion
Information for Monitoring Purposes			
<p>1. Do files for purchase and refinance loans for primary residences that are secured by the dwelling show that the bank requested monitoring information (§202.13(a) and (b)) and that it noted this information on the application form or on a separate form referring to the application (§202.13(b)):</p> <p>a. Ethnicity, using the categories “Hispanic or Latino,” and “Not Hispanic or Latino”; and race, using the categories “American Indian or Alaska Native,” “Asian,” “Black or African American,” “Native Hawaiian or Other Pacific Islander,” and “White,” and allowing applicants to select more than one racial designation (Comment 13(b)-1)?</p> <p>b. Sex?</p> <p>c. Marital status, using the categories married, unmarried, and separated?</p> <p>d. Age? <i>NOTE: Examiners should ensure that the bank limits its requests for government monitoring information to only those loans secured by the applicant’s principal dwelling, as required in §202.5(a)&(b).</i></p>			
<p>2. Does the form used to collect monitoring information contain written notice that it is for federal government monitoring of compliance with federal statutes prohibiting discrimination on those bases, and that the bank must note ethnicity, race and sex on the basis of sight and/or surname if the applicant chooses not to do so, or does the loan file indicate that the borrower was otherwise notified of this fact? (§202.13(c))</p>			
<p>3. Does the bank note on the monitoring form applicant’s refusals to disclose monitoring information? (§202.13(b))</p>			
<p>4 a. If the bank takes applications in person (including by electronic media that allows the bank to see the applicant), and if the applicant refuses to provide the monitoring information, does the bank, to the extent possible on the basis of sight or surname, note on the form the ethnicity, race and sex of each applicant? (§202.13(b)), Comment 13(b)-4)</p>			

Technical Compliance Checklist			
Requirement (If answer is No, there appears to be a violation)	Yes	No	Basis for Conclusion
General Rules (cont.)			
b. If the bank receives applications by mail, telephone, or electronic media and if it is not evident on the face of the application how it was received, does the bank indicate on the form or in the loan file how it was received? (Comments 13(b)-3, -4)			
5. Are written applications used for home purchase and refinance transactions? (§202.4(c))			
6. Are written disclosures clear, conspicuous and except for those required by §202.5 and §202.13, in a form the applicant can retain? (§202.4(d))			
Rules Concerning Requests for Information			
7. Do guidance and forms exclude requests for information relative to birth control practices, childbearing abilities, or childbearing or child-rearing intentions of the applicant, and does the loan file indicate that the bank did not otherwise inquire about these topics? (§202.5(d)(3))			
8. Does the loan file indicate that the bank did not request information about spouses except for transactions which: <ul style="list-style-type: none"> a. The spouse will be permitted to use the account, b. The spouse will be laible on the account, c. The applicant is relying on the spouse’s income as a basis for repayment of the credit requested, d. The applicant resides in a community property state or is relying on property in such a state for repayment, or e. The applicant relies on alimony, child support, or separate maintenance payments from the spouse or the former spouse to repay the debt? (§202.5(c)) 			
9. In the case of individual unsecured credit, does the loan file indicate that the bank made inquiries about the marital status of the applicant only when the applicant resides in a community property state or when community property is a basis for repayment of the debt, and do guidance and forms for unsecured individual loans include these inquiries? (§202.5(d)(1))			

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Technical Compliance Checklist			
Requirement (If answer is No, there appears to be a violation)	Yes	No	Basis for Conclusion
Rules Concerning Requests for Information (cont.)			
10. For loans other than individual unsecured credit, are inquiries into marital status no more extensive than obtaining the applicant's status as "married," "unmarried," or "separated"? (§202.5(d)(1))			
11. If the loan file indicates that information was requested regarding whether income on the application is derived from alimony, child support, or separate maintenance payments, do guidance and forms ensure that the applicant is informed that such income need not be revealed if the applicant does not want the bank to consider the information in determining the applicant's creditworthiness? (§202.5(d)(2))			
12. Is any special purpose program established and administered so as to avoid discriminating on a prohibited basis? (§202.5(a)(3), §202.8)			
13. If the creditor collects information (in addition to required government monitoring information) on the race, color, religion, national origin, or sex of the applicant for purposes of a "self-test": a. Does the "self-test" meet the requirements of §202.15? b. Does the creditor disclose to the applicant, orally or in writing, when requesting the information that: 1. Applicant isn't required to provide information? 2. The bank is requesting information to monitor its compliance with ECOA? 3. Federal law prohibits the bank from discriminating on the basis of this information, or on the basis of an applicant's decision not to furnish the information? 4. If applicable, certain information will be collected based on visual observation or surname if not provided by the applicant or other person? (§202.5(b))			
14. When a title, such as Ms., Miss, Mrs., or Mr., is requested on the application, does the form disclose that such designation is optional, and does the application form otherwise use only terms neutral as to sex? (§202.5(b)(2))			

Technical Compliance Checklist			
Requirement (If answer is No, there appears to be a violation)	Yes	No	Basis for Conclusion
Rules Concerning Extensions of Credit			
15. For joint applications, do application files indicate an applicant's intent to apply for joint credit at the time of application? (§202.7(d)(1)-(3))			
Notifications			
16. Do files show that the bank notified non-commercial applicants in writing of: <ul style="list-style-type: none"> a. Action taken, whether approval, counteroffer, or adverse action (within 30 days of receipt of a completed application), unless the application is approved and the parties contemplate that the applicant who has yet to inquire about the status of the application, will do so within 30 days after applying? (§202.9(a)(1)(i), §202.9(e)) b. Adverse action because of incompleteness or a notice of missing information and that the information must be provided within a designated reasonable period for the application to be considered (within 30 days of receipt of the incomplete application)? (§202.9(a)(1)(ii) and (c)(2)) c. Adverse action (within 30 days of taking such action) on existing accounts? (§202.9(a)(1)(iii)) d. Adverse action (within 90 days after notifying the applicant of a counteroffer), if the applicant has not accepted the counteroffer (unless the notice of adverse action on the credit terms sought accompanied the counteroffer)? (§202.9(a)(1)(iv)) 			
17. Do adverse action notices in denied files (as applicable) contain: <ul style="list-style-type: none"> a. A written statement of action taken and the name and address of the bank? (§202.9(a)(2)) b. A written statement substantially similar to that in §202.9(b)(1)? c. A written statement of specific reasons for the action taken or written disclosure as specified in §202.9(a)(2)(ii) of the applicant's right to such a statement? (§202.9(a)(2)(i) and (ii)) 			

Technical Compliance Checklist			
Requirement (If answer is No, there appears to be a violation)	Yes	No	Basis for Conclusion
Notifications (cont.)			
18. In connection with credit other than an extension of trade credit, credit incident to a factoring agreement or other similar types of business credit, for businesses with revenues of \$1 million or less in the preceding fiscal year, where the reasons were not given orally or in writing when adverse action was taken (under timeframes in §202.9(a)(1)), was the disclosure of the right to a statement of reasons given in writing at the time of application in accordance with §202.9(a)(3)(i)(B)?			
19. For businesses with revenues in excess of \$1 million in the preceding fiscal year, or for extensions of trade credit, credit incident to a factoring agreement or other similar types of business credit, was the notification of action taken communicated within a reasonable time orally or in writing, and were reasons for denial and the ECOA notice provided in writing in response to a written request for the reasons by the applicant within 60 days of the bank’s notification? (§202.9(a)(3)(ii)(B))			
20. Does the statement of reason(s) for adverse action contain the principal and specific reason(s) for the action? (§202.9(b)(2))			
21. When an application involves multiple applicants, does the bank provide notification of action to the primary applicant, when one is readily apparent? (§202.9(f))			
22. When an application is made to multiple creditors by a third party, and no credit is offered or extended by any of the creditors, does the bank ensure that the applicant is properly informed of the action taken? (§202.9(g))			
Furnishing Credit Information			
23. If the bank furnishes information: <ul style="list-style-type: none"> a. Does the bank designate any new account to reflect the participation of both spouses if the applicant’s spouse is permitted to use or is contractually liable on the account (other than as a guarantor, surety, endorser, or similar party) and any existing account within 90 days of the 			

Technical Compliance Checklist			
Requirement (If answer is No, there appears to be a violation)	Yes	No	Basis for Conclusion
Furnishing Credit Information (cont.)			
b. Does the bank furnish joint account information to consumer reporting agencies in a manner that provides access to such information in the name of each spouse? (§202.10(b))			
24. When the bank responds to an inquiry for credit information regarding a joint account, is the information furnished in the name of the spouse for whom the information is requested? (§202.10(c))			
Record Retention			
<p>25. Does the bank retain application files for 25 months (12 months for business credit applications from businesses with gross revenues of \$1 million or less in the previous fiscal year, except an extension of trade credit, credit incident to a factoring agreement, or other similar types of business credit) after date of notice of action taken or notice of incompleteness the following (as applicable) containing:</p> <ul style="list-style-type: none"> a. The application and all supporting material? (§202.12(b)(1)(i)) b. All information obtained for monitoring purposes? (§202.12(b)(1)(i)) c. The notification of action taken, if written, or any notation or memorandum by the bank, if made orally? (§202.12(b)(1)(ii)(A)) d. A statement of specific reasons for adverse action, if written, or any notation or memorandum by the bank, if made orally? (§202.12(b)(1)(ii)(B)) e. Any written statement submitted by the applicant alleging a violation of ECOA or Regulation B? (§202.12(b)(1)(iii)) 			

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Requirement (If answer is No, there appears to be a violation)	Yes	No	Basis for Conclusion
Record Retention (cont.)			
<p>26. Does the bank retain application files in connection with existing accounts for 25 months (12 months for business credit applications from businesses with gross revenues of \$1 million or less in the previous fiscal year, except an extension of trade credit, credit incident to a factoring agreement, or other similar types of business credit) after date of notice of action taken containing:</p> <p>a. Any written or recorded information concerning the adverse action? (§202.12(b)(2)(i))</p> <p>b. Any written statement submitted by the applicant alleging a violation of ECOA or Regulation B? (§202.12(b)(2)(ii))</p>			
<p>27. Does the bank retain application files for other applications, for which §202.9's notification requirements do not apply, retain for 25 months (12 months for business credit applications from businesses with gross revenues of \$1 million or less in the previous fiscal year, except an extension of trade credit, credit incident to a factoring agreement, or other similar types of business credit) after date the bank receives the application, containing all written or recorded information in its possession concerning the applicant, including any notation of action taken? (§202.12(b)(3))</p>			
<p>28. For business credit applications from businesses with gross revenues of more than \$1 million in the previous fiscal year, or an extension of trade credit, credit incident to a factoring agreement, or other similar types of business credit, does the bank retain records for at least 60 days after notifying the applicant of the action taken, or for 12 months after notifying the applicant of the action taken if the applicant requests in the 60-day time period the reasons for denial or that the records be retained?</p>			

Technical Compliance Checklist			
Requirement (If answer is No, there appears to be a violation)	Yes	No	Basis for Conclusion
Record Retention (cont.)			
<p>29. For prescreened solicitations, does the bank retain for 25 months (12 months for business credit except for businesses with gross revenues of more than \$1 million in the previous fiscal year, or an extension of trade credit, credit incident to a factoring agreement, or other similar types of business credit) after the offer of credit was made:</p> <ul style="list-style-type: none"> a. The text of any prescreened solicitation; b. The list of criteria the bank used to select potential recipients of the solicitation; and c. Any correspondence related to complaints (formal or informal) about the solicitation? (§202.12(b)(7)) 			
<p>30. Was information relative to an investigative enforcement or civil action retained until final disposition of the matter? (§202.12(b)(4))</p>			
<p>31. If the bank conducts a self test pursuant to §202.15, does it after completion of the test, retain all written and recorded information:</p> <ul style="list-style-type: none"> a. For 25 months? b. Until final disposition if it has actual notice that it is under investigation or subject to enforcement proceedings or a civil action? (§202.12(b)(6)) 			
<p>32. Are applicants routinely given copies of appraisal reports used in connection with applications for credit secured by a lien on a dwelling, or are they provided with written notice (as specified in §202.14(a)(§2)(i)), no later than when notified of the action taken under §202.9, of their right to obtain a copy of the appraisal report, and provided a copy of the appraisal report upon request in the manner specified in §202.14(a)(§2)(ii)?</p>			

V. Lending — ECOA

Technical Compliance Checklist			
Requirement (If answer is No, there appears to be a violation)	Yes	No	Basis for Conclusion
Requirements for Electronic Communications			
<i>NOTE: The Federal Reserve Board has not yet mandated compliance with §202.16. Banks may follow §202.16 or their own policies as long as those policies comply with the requirements of the E-Sign Act, 15 USC §7001.</i>			
33. If the bank uses electronic communication to provide any of the disclosures required by ECOA and Regulation B to be in writing, are the disclosures clear and conspicuous and in a form the applicant may retain? (§202.16(b))			
34. If the bank uses electronic communications to provide disclosures that are required to be in writing (other than disclosures under §202.9(a)(3)(i)(B), §202.13(a), and §202.14(a)(2)(i), if provided on or with the application) does the bank obtain the applicant's affirmative consent? (§202.16(c))			
35. If the bank uses electronic communication to provide disclosures, does the bank either a. Send the disclosures to the applicant's electronic address; or b. Make the disclosure available at another location and so notify the applicant by sending a notice that identifies the account involved and the address of the Internet Web site or other location where the disclosure is available, and make the disclosure available for at least 90 days after it is first available or after it sends the notice of the other location, whichever is later? (§202.16(d))			
36. If a disclosure provided by electronic communication is returned, does the bank takes reasonable steps to attempt redelivery, using information that is in its files? (§202.16(e))			
General Rule			
37. Do the bank's marketing or advertising materials (including lobby signs or other displays) contain any information that would discourage, on a prohibited basis, a reasonable person from making or pursuing an application? (§202.4(b))			