



## Fair Lending Compliance Regulations

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FOR GENERAL REFERENCE AND TRAINING PURPOSES

# POWER POINT SAMPLE





# FAIR LENDING POLICY

## 1. Equal Credit Opportunity Act (ECOA – Regulation B)

The Equal Credit Opportunity Act prohibits lenders from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age, whether they are a recipient of public assistance, and whether they have exercised their rights under the Consumer Credit Protection Act.

This subject matter covers Title 12, Chapter II, Subchapter A, Code of Federal Regulations, published by the National Archives, last amended February 1, 2024. Topics included are listed below.

- § 202.4 General rules.
- § 202.5 Rules concerning requests for information.
- § 202.6 Rules concerning evaluation of applications.
- § 202.7 Rules concerning extensions of credit.
- § 202.8 Special purpose credit programs.
- § 202.9 Notifications.
- § 202.10 Furnishing of credit information.
- § 202.11 Relation to state law.
- § 202.12 Record retention.
- § 202.13 Information for monitoring purposes.
- § 202.14 Rules on providing appraisal reports.
- § 202.15 Incentives for self-testing and self-correction.



## FAIR LENDING POLICY

### § 202.6 Rules concerning evaluation of applications.

#### General rule concerning use of information.

Except as otherwise provided in the Act and this regulation, a creditor may consider any information obtained, so long as the information is not used to discriminate against an applicant on a prohibited basis.

#### Specific rules concerning use of information.

Except as provided in the Act and this regulation, a creditor shall not take a prohibited basis into account in any system of evaluating the creditworthiness of applicants.

#### Age, receipt of public assistance.

Except as permitted in this paragraph, a creditor shall not take into account an applicant's age (provided that the applicant has the capacity to enter into a binding contract) or whether an applicant's income derives from any public assistance program.

- (i) In an empirically derived, demonstrably, and statistically sound credit scoring system, a creditor may use an applicant's age as a predictive variable, provided that the age of an elderly applicant is not assigned a negative factor or value.
- (ii) In a judgmental system of evaluating creditworthiness, a creditor may consider an applicant's age or whether an applicant's income derives from any public assistance program only for the purpose of determining a pertinent element of creditworthiness.
- (iii) In any system of evaluating creditworthiness, a creditor may consider the age of an elderly applicant when such age is used to favor the elderly applicant in extending credit.

#### Childbearing, childrearing.

In evaluating creditworthiness, a creditor shall not make assumptions or use aggregate statistics relating to the likelihood that any category of persons will bear or rear children or will, for that reason, receive diminished or interrupted income in the future.

#### Telephone listing.

A creditor shall not take into account whether there is a telephone listing in the name of an applicant for consumer credit but may take into account whether there is a telephone in the applicant's residence.



## FAIR LENDING POLICY

### **Income.**

A creditor shall not discount or exclude from consideration the income of an applicant or the spouse of an applicant because of a prohibited basis or because the income is derived from part-time employment or is an annuity, pension, or other retirement benefit; a creditor may consider the amount and probable continuance of any income in evaluating an applicant's creditworthiness. When an applicant relies on alimony, child support, or separate maintenance payments in applying for credit, the creditor shall consider such payments as income to the extent that they are likely to be consistently made.

### **Credit history.**

To the extent that a creditor considers credit history in evaluating the creditworthiness of similarly qualified applicants for a similar type and amount of credit, in evaluating an applicant's creditworthiness a creditor shall consider:

- (i) The credit history, when available, of accounts designated as accounts that the applicant and the applicant's spouse are permitted to use or for which both are contractually liable;
- (ii) On the applicant's request, any information the applicant may present that tends to indicate the credit history being considered by the creditor does not accurately reflect the applicant's creditworthiness; and
- (iii) On the applicant's request, the credit history, when available, of any account reported in the name of the applicant's spouse or former spouse that the applicant can demonstrate accurately reflects the applicant's creditworthiness.

### **Immigration status.**

A creditor may consider the applicant's immigration status or status as a permanent resident of the United States, and any additional information that may be necessary to ascertain the creditor's rights and remedies regarding repayment.

### **Marital status.**

Except as otherwise permitted or required by law, a creditor shall evaluate married and unmarried applicants by the same standards; and in evaluating joint applicants, a creditor shall not treat applicants differently based on the existence, absence, or likelihood of a marital relationship between the parties.

### **Race, color, religion, national origin, sex.**

Except as otherwise permitted or required by law, a creditor shall not consider race, color, religion, national origin, or sex (or an applicant's or other person's decision not to provide the information) in any aspect of a credit transaction.



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