PART 1000 [RESERVED]

PART 1001—FINANCIAL PRODUCTS OR SERVICES

Sec. 1001.1 Authority and purpose.
1001.2 Definitions.

SOURCE: 80 FR 37526, June 30, 2015, unless otherwise noted.

§ 1001.1 Authority and purpose.


§ 1001.2 Definitions.

Except as otherwise provided in Title X, in addition to the definitions set forth in 12 U.S.C. 5481(15)(A)(xi), the Bureau is authorized to define certain financial products or services for purposes of title X of the Dodd-Frank Act, Public Law 111–203, 124 Stat. 1376 (2010) (Title X) in addition to those defined in 12 U.S.C. 5481(15)(A)(i)–(x). The purpose of this part is to implement that authority.

PART 1002—EQUAL CREDIT OPPORTUNITY ACT (REGULATION B)

Sec. 1002.1 Authority, scope and purpose.
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SUPPLEMENT I TO PART 1002—OFFICIAL INTERPRETATIONS

SOURCE: 76 FR 79445, Dec. 21, 2011, unless otherwise noted.

§ 1002.1 Authority, scope and purpose.

(a) Authority and scope. This part, known as Regulation B, is issued by the Bureau of Consumer Financial Protection (Bureau) pursuant to title VII (Equal Credit Opportunity Act) of the Consumer Credit Protection Act, as amended (15 U.S.C. 1601 et seq.). Except as otherwise provided herein, this part applies to all persons who are creditors, as defined in §1002.2(1), other than a person excluded from coverage of this part by section 1029 of the Consumer Financial Protection Act of 2010, title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111–203, 124 Stat. 1376. Information collection requirements contained in this part have been approved by the Office of Management and Budget under the provisions of 44 U.S.C. 3501 et seq. and have been assigned OMB No. 3170–0013.

(b) Purpose. The purpose of this part is to promote the availability of credit to all creditworthy applicants without regard to race, color, religion, national origin, sex, marital status, or age (provided the applicant has the capacity to contract); to the fact that all or part of the applicant’s income derives from a public assistance program; or to the fact that the applicant has in good faith exercised any right under the
Consumer Credit Protection Act. The regulation prohibits creditor practices that discriminate on the basis of any of these factors. The regulation also requires creditors to notify applicants of action taken on their applications; to report credit history in the names of both spouses on an account; to retain records of credit applications; to collect information about the applicant’s race and other personal characteristics in applications for certain dwelling-related loans; and to provide applicants with copies of appraisal reports used in connection with credit transactions.

§ 1002.2 Definitions.
For the purposes of this part, unless the context indicates otherwise, the following definitions apply.

(a) Account means an extension of credit. When employed in relation to an account, the word use refers only to open-end credit.

(b) Act means the Equal Credit Opportunity Act (Title VII of the Consumer Credit Protection Act).

(c) Adverse action. (1) The term means:
   (i) A refusal to grant credit in substantially the amount or on substantially the terms requested in an application unless the creditor makes a counteroffer (to grant credit in a different amount or on other terms) and the applicant uses or expressly accepts the credit offered;
   (ii) A termination of an account or an unfavorable change in the terms of an account that does not affect all or substantially all of a class of the creditor’s accounts; or
   (iii) A refusal to increase the amount of credit available to an applicant who has made an application for an increase.
   (2) The term does not include:
   (i) A change in the terms of an account expressly agreed to by an applicant;
   (ii) Any action or forbearance relating to an account taken in connection with inactivity, default, or delinquency as to that account;
   (iii) A refusal or failure to authorize an account transaction at point of sale or loan, except when the refusal is a termination or an unfavorable change in the terms of an account that does not affect all or substantially all of a class of the creditor’s accounts, or when the refusal is a denial of an application for an increase in the amount of credit available under the account;
   (iv) A refusal to extend credit because applicable law prohibits the creditor from extending the credit requested; or
   (v) A refusal to extend credit because the creditor does not offer the type of credit or credit plan requested.
   (3) An action that falls within the definition of both paragraphs (c)(1) and (c)(2) of this section is governed by paragraph (c)(2) of this section.

(d) Age refers only to the age of natural persons and means the number of fully elapsed years from the date of an applicant’s birth.

(e) Applicant means any person who requests or who has received an extension of credit from a creditor, and includes any person who is or may become contractually liable regarding an extension of credit. For purposes of §1002.7(d), the term includes guarantors, sureties, endorsers, and similar parties.

(f) Application means an oral or written request for an extension of credit that is made in accordance with procedures used by a creditor for the type of credit requested. The term application does not include the use of an account or line of credit to obtain an amount of credit that is within a previously established credit limit. A completed application means an application in connection with which a creditor has received all the information that the creditor regularly obtains and considers in evaluating applications for the amount and type of credit requested (including, but not limited to, credit reports, any additional information requested from the applicant, and any approvals or reports by governmental agencies or other persons that are necessary to guarantee, insure, or provide security for the credit or collateral). The creditor shall exercise reasonable diligence in obtaining such information.
(g) Business credit refers to extensions of credit primarily for business or commercial (including agricultural) purposes, but excluding extensions of credit of the types described in §§1002.3(a)–(d).

(h) Consumer credit means credit extended to a natural person primarily for personal, family, or household purposes.

(i) Contractually liable means expressly obligated to repay all debts arising on an account by reason of an agreement to that effect.

(j) Credit means the right granted by a creditor to an applicant to defer payment of a debt, incur debt and defer its payment, or purchase property or services and defer payment therefor.

(k) Credit card means any card, plate, coupon book, or other single credit device that may be used from time to time to obtain money, property, or services on credit.

(l) Creditor means a person who, in the ordinary course of business, regularly participates in a credit decision, including setting the terms of the credit. The term creditor includes a creditor’s assignee, transferee, or subrogee who so participates. For purposes of §§1002.4(a) and (b), the term creditor also includes a person who, in the ordinary course of business, regularly refers applicants or prospective applicants to creditors, or selects or offers to select creditors to whom requests for credit may be made. A person is not a creditor regarding any violation of the Act or this part committed by another creditor unless the person knew or had reasonable notice of the act, policy, or practice that constituted the violation before becoming involved in the credit transaction. The term does not include a person whose only participation in a credit transaction involves honoring a credit card.

(m) Credit transaction means every aspect of an applicant’s dealings with a creditor regarding an application for credit or an existing extension of credit (including, but not limited to, information requirements; investigation procedures; standards of creditworthiness; terms of credit; furnishing of credit information; revocation, alteration, or termination of credit; and collection procedures).

(n) Discriminate against an applicant means to treat an applicant less favorably than other applicants.

(o) Elderly means age 62 or older.

(p) Empirically derived and other credit scoring systems—(1) A credit scoring system is a system that evaluates an applicant’s creditworthiness mechanically, based on key attributes of the applicant and aspects of the transaction, and that determines, alone or in conjunction with an evaluation of additional information about the applicant, whether an applicant is deemed creditworthy. To qualify as an empirically derived, demonstrably and statistically sound, credit scoring system, the system must be:

(i) Based on data that are derived from an empirical comparison of sample groups or the population of creditworthy and non-creditworthy applicants who applied for credit within a reasonable preceding period of time;

(ii) Developed for the purpose of evaluating the creditworthiness of applicants with respect to the legitimate business interests of the creditor utilizing the system (including, but not limited to, minimizing bad debt losses and operating expenses in accordance with the creditor’s business judgment);

(iii) Developed and validated using accepted statistical principles and methodology; and

(iv) Periodically revalidated by the use of appropriate statistical principles and methodology and adjusted as necessary to maintain predictive ability.

(2) A creditor may use an empirically derived, demonstrably and statistically sound, credit scoring system obtained from another person or may obtain credit experience from which to develop such a system. Any such system must satisfy the criteria set forth in paragraph (p)(1)(i) through (iv) of this section; if the creditor is unable during the development process to validate the system based on its own credit experience in accordance with paragraph (p)(1) of this section, the system must be validated when sufficient credit experience becomes available. A system that fails this validity test is no longer an empirically derived, demonstrably and statistically sound, credit scoring system for that creditor.
§ 1002.3 Limited exceptions for certain classes of transactions.

(a) Public utilities credit—(1) Definition. Public utilities credit refers to extensions of credit that involve public utility services provided through pipe, wire, or other connected facilities, or radio or similar transmission (including extensions of such facilities), if the charges for service, delayed payment, and any discount for prompt payment are filed with or regulated by a government unit.

(b) Securities credit—(1) Definition. Securities credit refers to extensions of credit subject to regulation under section 7 of the Securities Exchange Act of 1934 or extensions of credit by a broker or dealer subject to regulation as a broker or dealer under the Securities Exchange Act of 1934.

(2) Exceptions. The following provisions of this part do not apply to securities credit:

(i) Section 1002.5(b) concerning information about the sex of an applicant;

(ii) Section 1002.5(c) concerning information about a spouse or former spouse.
(iii) Section 1002.5(d)(1) concerning information about marital status;
(iv) Section 1002.7(b) relating to designation of name to the extent necessary to comply with rules regarding an account in which a broker or dealer has an interest, or rules regarding the aggregation of accounts of spouses to determine controlling interests, beneficial interests, beneficial ownership, or purchase limitations and restrictions;
(v) Section 1002.7(c) relating to action concerning open-end accounts, to the extent the action taken is on the basis of a change of name or marital status;
(vi) Section 1002.7(d) relating to the signature of a spouse or other person;
(vii) Section 1002.10 relating to furnishing of credit information; and
(viii) Section 1002.12(b) relating to record retention.

(c) Incidental credit—(1) Definition. Incidental credit refers to extensions of consumer credit other than the types described in paragraphs (a) and (b) of this section:
(i) That are not made pursuant to the terms of a credit card account;
(ii) That are not subject to a finance charge (as defined in Regulation Z, 12 CFR 1026.4); and
(iii) That are not payable by agreement in more than four installments.
(2) Exceptions. The following provisions of this part do not apply to incidental credit:
(i) Section 1002.5(b) concerning information about the sex of an applicant, but only to the extent necessary for medical records or similar purposes;
(ii) Section 1002.5(c) concerning information about a spouse or former spouse;
(iii) Section 1002.5(d)(1) concerning information about marital status;
(iv) Section 1002.5(d)(2) concerning information about income derived from alimony, child support, or separate maintenance payments;
(v) Section 1002.7(d) relating to the signature of a spouse or other person;
(vi) Section 1002.9 relating to notifications;
(vii) Section 1002.10 relating to furnishing of credit information; and
(viii) Section 1002.12(b) relating to record retention.

(d) Government credit—(1) Definition. Government credit refers to extensions of credit made to governments or governmental subdivisions, agencies, or instrumentalities.
(2) Applicability of regulation. Except for § 1002.4(a), the general rule against discrimination on a prohibited basis, the requirements of this part do not apply to government credit.

§ 1002.4 General rules.
(a) Discrimination. A creditor shall not discriminate against an applicant on a prohibited basis regarding any aspect of a credit transaction.
(b) Discouragement. A creditor shall not make any oral or written statement, in advertising or otherwise, to applicants or prospective applicants that would discourage on a prohibited basis a reasonable person from making or pursuing an application.
(c) Written applications. A creditor shall take written applications for the dwelling-related types of credit covered by §1002.13(a).
(d) Form of disclosures—(1) General rule. A creditor that provides in writing any disclosures or information required by this part must provide the disclosures in a clear and conspicuous manner and, except for the disclosures required by §§1002.5 and 1002.13, in a form the applicant may retain.
(2) Disclosures in electronic form. The disclosures required by this part that are required to be given in writing may be provided to the applicant in electronic form, subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (E-Sign Act) (15 U.S.C. 7001 et seq.). Where the disclosures under §§1002.5(b)(1), 1002.5(b)(2), 1002.5(d)(1), 1002.5(d)(2), 1002.13, and 1002.14(a)(2) accompany an application accessed by the applicant in electronic form, these disclosures may be provided to the applicant in electronic form on or with the application form, without regard to the consumer consent or other provisions of the E-Sign Act.
(e) Foreign-language disclosures. Disclosures may be made in languages
§ 1002.5 Rules concerning requests for information.

(a) General rules—

(1) Requests for information. Except as provided in paragraphs (b) through (d) of this section, a creditor may request any information in connection with a credit transaction. This paragraph does not limit or abrogate any Federal or state law regarding privileged information, credit reporting limitations, or similar restrictions on obtainable information.

(2) Required collection of information. Notwithstanding paragraphs (b) through (d) of this section, a creditor shall request information for monitoring purposes as required by § 1002.13 for credit secured by the applicant’s dwelling. In addition, a creditor may obtain information required by a regulation, order, or agreement issued by, or entered into with, a court or an enforcement agency (including the Attorney General of the United States or a similar state official) to monitor or enforce compliance with the Act, this part, or other Federal or state statutes or regulations.

(3) Special-purpose credit. A creditor may obtain information that is otherwise restricted to determine eligibility for a special purpose credit program, as provided in §§ 1002.8(b), (c), and (d).

(b) Limitation on information about race, color, religion, national origin, or sex. A creditor shall not inquire about the race, color, religion, national origin, or sex of an applicant or any other person in connection with a credit transaction, except as provided in paragraphs (b)(1) and (b)(2) of this section.

(1) Self-test. A creditor may inquire about the race, color, religion, national origin, or sex of an applicant or any other person in connection with a credit transaction for the purpose of conducting a self-test that meets the requirements of § 1002.15. A creditor that makes such an inquiry shall disclose orally or in writing, at the time the information is requested, that:

(i) The applicant will not be required to provide the information;

(ii) The creditor is requesting the information to monitor its compliance with the Federal Equal Credit Opportunity Act;

(iii) Federal law prohibits the creditor from discriminating on the basis of this information, or on the basis of an applicant’s decision not to furnish the information; and

(iv) If applicable, certain information will be collected based on visual observation or surname if not provided by the applicant or other person.

(2) Sex. An applicant may be requested to designate a title on an application form (such as Ms., Miss, Mr., or Mrs.) if the form discloses that the designation of a title is optional. An application form shall otherwise use only terms that are neutral as to sex.

(c) Information about a spouse or former spouse—

(1) General rule. Except as permitted in this paragraph, a creditor may not request any information concerning the spouse or former spouse of an applicant.

(2) Permissible inquiries. A creditor may request any information concerning an applicant’s spouse (or former spouse under paragraph (c)(2)(v) of this section) that may be requested about the applicant if:

(i) The spouse will be permitted to use the account;

(ii) The spouse will be contractually liable on the account;

(iii) The applicant is relying on the spouse’s income as a basis for repayment of the credit requested;

(iv) The applicant resides in a community property state or is relying on property located in such a state as a basis for repayment of the credit requested;

(v) The applicant is relying on alimony, child support, or separate maintenance payments from a spouse or former spouse as a basis for repayment of the credit requested.

(3) Other accounts of the applicant. A creditor may request that an applicant list any account on which the applicant is contractually liable and to provide the name and address of the person in whose name the account is held. A creditor may also ask an applicant to list the names in which the applicant has previously received credit.
(d) Other limitations on information requests—

(1) Marital status. If an applicant applies for individual unsecured credit, a creditor shall not inquire about the applicant’s marital status unless the applicant resides in a community property state or is relying on property located in such a state as a basis for repayment of the credit requested. If an application is for other than individual unsecured credit, a creditor may inquire about the applicant’s marital status, but shall use only the terms married, unmarried, and separated. A creditor may explain that the category unmarried includes single, divorced, and widowed persons.

(2) Disclosure about income from alimony, child support, or separate maintenance. A creditor shall not inquire whether income stated in an application is derived from alimony, child support, or separate maintenance payments unless the creditor discloses to the applicant that such income need not be revealed if the applicant does not want the creditor to consider it in determining the applicant’s creditworthiness.

(3) Childbearing, childrearing. A creditor shall not inquire about birth control practices, intentions concerning the bearing or rearing of children, or capability to bear children. A creditor may inquire about the number and ages of an applicant’s dependents or about dependent-related financial obligations or expenditures, provided such information is requested without regard to sex, marital status, or any other prohibited basis.

(e) Permanent residency and immigration status. A creditor may inquire about the permanent residency and immigration status of an applicant or any other person in connection with a credit transaction.

§ 1002.6 Rules concerning evaluation of applications.

(a) General rule concerning use of information. Except as otherwise provided in the Act and this part, a creditor may consider any information obtained, so long as the information is not used to discriminate against an applicant on a prohibited basis. The legislative history of the Act indicates that the Congress intended an “effects test” concept, as outlined in the employment field by the Supreme Court in the cases of Griggs v. Duke Power Co., 401 U.S. 424 (1971), and Albemarle Paper Co. v. Moody, 422 U.S. 405 (1975), to be applicable to a creditor’s determination of creditworthiness.

(b) Specific rules concerning use of information.

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

(2) Age, receipt of public assistance.

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(3) 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.

(4) 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.

(5) 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
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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.

(6) 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.

(7) 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.

(8) 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.

(9) 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.

(c) State property laws. A creditor’s consideration or application of state property laws directly or indirectly affecting creditworthiness does not constitute unlawful discrimination for the purposes of the Act or this part.

§ 1002.7 Rules concerning extensions of credit.

(a) Individual accounts. A creditor shall not refuse to grant an individual account to a creditworthy applicant on the basis of sex, marital status, or any other prohibited basis.

(b) Designation of name. A creditor shall not refuse to allow an applicant to open or maintain an account in a birth-given first name and a surname that is the applicant’s birth-given surname, the spouse’s surname, or a combined surname.

(c) Action concerning existing open-end accounts—(1) Limitations. In the absence of evidence of the applicant’s inability or unwillingness to repay, a creditor shall not take any of the following actions regarding an applicant who is contractually liable on an existing open-end account on the basis of the applicant’s reaching a certain age or retiring or on the basis of a change in the applicant’s name or marital status:

(i) Require a reapplication, except as provided in paragraph (c)(2) of this section;

(ii) Change the terms of the account; or

(iii) Terminate the account.

(2) Requiring reapplication. A creditor may require a reapplication for an open-end account on the basis of a change in the marital status of an applicant who is contractually liable if the credit granted was based in whole or in part on income of the applicant’s spouse and if information available to the creditor indicates that the applicant’s income may not support the amount of credit currently available.

(d) Signature of spouse or other person—(1) Rule for qualified applicant. Except as provided in this paragraph, a creditor shall not require the signature of an applicant’s spouse or other person, other than a joint applicant, on any credit instrument if the applicant
§ 1002.8

qualifies under the creditor’s standards of creditworthiness for the amount and terms of the credit requested. A creditor shall not deem the submission of a joint financial statement or other evidence of jointly held assets as an application for joint credit.

(2) Unsecured credit. If an applicant requests unsecured credit and relies in part upon property that the applicant owns jointly with another person to satisfy the creditor’s standards of creditworthiness, the creditor may require the signature of the other person only on the instrument(s) necessary, or reasonably believed by the creditor to be necessary, under the law of the state in which the property is located, to enable the creditor to reach the property being relied upon in the event of the death or default of the applicant.

(3) Unsecured credit—community property states. If a married applicant requests unsecured credit and resides in a community property state, or if the applicant is relying on property located in such a state, a creditor may require the signature of the spouse on any instrument necessary, or reasonably believed by the creditor to be necessary, under applicable state law to make the community property available to satisfy the debt in the event of default if:

(i) Applicable state law denies the applicant power to manage or control sufficient community property to qualify for the credit requested under the creditor’s standards of creditworthiness; and

(ii) The applicant does not have sufficient separate property to qualify for the credit requested without regard to community property.

(4) Secured credit. If an applicant requests secured credit, a creditor may require the signature of the applicant’s spouse or other person on any instrument necessary, or reasonably believed by the creditor to be necessary, under applicable state law to make the property being offered as security available to satisfy the debt in the event of default, for example, an instrument to create a valid lien, pass clear title, waive inchoate rights, or assign earnings.

(5) Additional parties. If, under a creditor’s standards of creditworthiness, the personal liability of an additional party is necessary to support the credit requested, a creditor may request a cosigner, guarantor, endorser, or similar party. The applicant’s spouse may serve as an additional party, but the creditor shall not require that the spouse be the additional party.

(6) Rights of additional parties. A creditor shall not impose requirements upon an additional party that the creditor is prohibited from imposing upon an applicant under this section.

(e) Insurance. A creditor shall not refuse to extend credit and shall not terminate an account because credit life, health, accident, disability, or other credit-related insurance is not available on the basis of the applicant’s age.

§ 1002.8 Special purpose credit programs.

(a) Standards for programs. Subject to the provisions of paragraph (b) of this section, the Act and this part permit a creditor to extend special purpose credit to applicants who meet eligibility requirements under the following types of credit programs:

(1) Any credit assistance program expressly authorized by Federal or state law for the benefit of an economically disadvantaged class of persons;

(2) Any credit assistance program offered by a not-for-profit organization, as defined under section 501(c) of the Internal Revenue Code of 1954, as amended, for the benefit of its members or for the benefit of an economically disadvantaged class of persons; or

(3) Any special purpose credit program offered by a for-profit organization, or in which such an organization participates to meet special social needs, if:

(i) The program is established and administered pursuant to a written plan that identifies the class of persons that the program is designed to benefit and sets forth the procedures and standards for extending credit pursuant to the program; and

(ii) The program is established and administered to extend credit to a class of persons who, under the organization’s customary standards of creditworthiness, probably would not receive such credit or would receive it on less
§ 1002.9 Notifications.

(a) Notification of action taken, ECOA notice, and statement of specific reasons—

(1) When notification is required. A creditor shall notify an applicant of action taken within:

(i) 30 days after receiving a completed application concerning the creditor’s approval of, counteroffer to, or adverse action on the application;

(ii) 30 days after taking adverse action on an incomplete application, unless notice is provided in accordance with paragraph (c) of this section;

(iii) 30 days after taking adverse action on an existing account; or

(iv) 90 days after notifying the applicant of a counteroffer if the applicant does not expressly accept or use the credit offered.

(2) Content of notification when adverse action is taken. A notification given to an applicant when adverse action is taken shall be in writing and shall contain a statement of the action taken; the name and address of the creditor; a statement of the provisions of section 701(a) of the Act; the name and address of the Federal agency that administers compliance with respect to the creditor; and either:

(i) A statement of specific reasons for the action taken; or

(ii) A disclosure of the applicant’s right to a statement of specific reasons within 30 days, if the statement is requested within 60 days of the creditor’s notification. The disclosure shall include the name, address, and telephone number of the person or office from which the statement of reasons can be obtained. If the creditor chooses to provide the reasons orally, the creditor shall also disclose the applicant’s right to have them confirmed in writing within 30 days of receiving the applicant’s written request for confirmation.

(3) Notification to business credit applicants. For business credit, a creditor shall comply with the notification requirements of this section in the following manner:

(iv) With regard to a business that had gross revenues of $1 million or less in its preceding fiscal year (other than an extension of trade credit, credit incident to a factoring agreement, or other similar types of business credit), a creditor shall comply with paragraphs (a)(1) and (2) of this section, except that:

(b) Rules in other sections—(1) General applicability. All the provisions of this part apply to each of the special purpose credit programs described in paragraph (a) of this section except as modified by this section.

(2) Common characteristics. A program described in paragraph (a)(2) or (a)(3) of this section qualifies as a special purpose credit program only if it was established and is administered so as not to discriminate against an applicant on any prohibited basis; however, all program participants may be required to share one or more common characteristics (for example, race, national origin, or sex) so long as the program was not established and is not administered with the purpose of evading the requirements of the Act or this part.

(c) Special rule concerning requests and use of information. If participants in a special purpose credit program described in paragraph (a) of this section are required to possess one or more common characteristics (for example, race, national origin, or sex) and if the program otherwise satisfies the requirements of paragraph (a) of this section, a creditor may request and consider information regarding the common characteristic(s) in determining the applicant’s eligibility for the program.

(d) Special rule in the case of financial need. If financial need is one of the criteria under a special purpose credit program described in paragraph (a) of this section, the creditor may request and consider, in determining an applicant’s eligibility for the program, information regarding the applicant’s marital status; alimony, child support, and separate maintenance income; and the spouse’s financial resources. In addition, a creditor may obtain the signature of an applicant’s spouse or other person on an application or credit instrument relating to a special purpose credit program if the signature is required by Federal or state law.

§ 1002.9 Notifications.

(a) Notification of action taken, ECOA notice, and statement of specific reasons—

(1) When notification is required. A creditor shall notify an applicant of action taken within:

(i) 30 days after receiving a completed application concerning the creditor’s approval of, counteroffer to, or adverse action on the application;

(ii) 30 days after taking adverse action on an incomplete application, unless notice is provided in accordance with paragraph (c) of this section;

(iii) 30 days after taking adverse action on an existing account; or

(iv) 90 days after notifying the applicant of a counteroffer if the applicant does not expressly accept or use the credit offered.

(2) Content of notification when adverse action is taken. A notification given to an applicant when adverse action is taken shall be in writing and shall contain a statement of the action taken; the name and address of the creditor; a statement of the provisions of section 701(a) of the Act; the name and address of the Federal agency that administers compliance with respect to the creditor; and either:

(i) A statement of specific reasons for the action taken; or

(ii) A disclosure of the applicant’s right to a statement of specific reasons within 30 days, if the statement is requested within 60 days of the creditor’s notification. The disclosure shall include the name, address, and telephone number of the person or office from which the statement of reasons can be obtained. If the creditor chooses to provide the reasons orally, the creditor shall also disclose the applicant’s right to have them confirmed in writing within 30 days of receiving the applicant’s written request for confirmation.

(3) Notification to business credit applicants. For business credit, a creditor shall comply with the notification requirements of this section in the following manner:

(iv) With regard to a business that had gross revenues of $1 million or less in its preceding fiscal year (other than an extension of trade credit, credit incident to a factoring agreement, or other similar types of business credit), a creditor shall comply with paragraphs (a)(1) and (2) of this section, except that:
(A) The statement of the action taken may be given orally or in writing, when adverse action is taken;

(B) Disclosure of an applicant’s right to a statement of reasons may be given at the time of application, instead of when adverse action is taken, provided the disclosure contains the information required by paragraph (a)(2) of this section and the ECOA notice specified in paragraph (b)(1) of this section;

(C) For an application made entirely by telephone, a creditor satisfies the requirements of paragraph (a)(3) of this section by an oral statement of the action taken and of the applicant’s right to a statement of reasons for adverse action.

(ii) With regard to a business that had gross revenues in excess of $1 million in its preceding fiscal year or an extension of trade credit, credit incident to a factoring agreement, or other similar types of business credit, a creditor shall:

(A) Notify the applicant, within a reasonable time, orally or in writing, of the action taken; and

(B) Provide a written statement of the reasons for adverse action and the ECOA notice specified in paragraph (b)(1) of this section if the applicant makes a written request for the reasons within 60 days of the creditor’s notification.

(b) Form of ECOA notice and statement of specific reasons—(1) ECOA notice. To satisfy the disclosure requirements of paragraph (a)(2) of this section regarding section 701(a) of the Act, the creditor shall provide a notice that is substantially similar to the following: The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant’s income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is [name and address as specified by the appropriate agency or agencies listed in appendix A of this part].

Until January 1, 2013, a creditor may comply with this paragraph (b)(1) and paragraph (a)(2) of this section by including in the notice the name and address as specified by the appropriate agency in appendix A to 12 CFR part 202, as in effect on October 1, 2011.

(2) Statement of specific reasons. The statement of reasons for adverse action required by paragraph (a)(2)(i) of this section must be specific and indicate the principal reason(s) for the adverse action. Statements that the adverse action was based on the creditor’s internal standards or policies or that the applicant, joint applicant, or similar party failed to achieve a qualifying score on the creditor’s credit scoring system are insufficient.

(c) Incomplete applications—(1) Notice alternatives. Within 30 days after receiving an application that is incomplete regarding matters that an applicant can complete, the creditor shall notify the applicant either:

(i) Of action taken, in accordance with paragraph (a) of this section; or

(ii) Of the incompleteness, in accordance with paragraph (c)(2) of this section.

(2) Notice of incompleteness. If additional information is needed from an applicant, the creditor shall send a written notice to the applicant specifying the information needed, designating a reasonable period of time for the applicant to provide the information, and informing the applicant that failure to provide the information requested will result in no further consideration being given to the application. The creditor shall have no further obligation under this section if the applicant fails to respond within the designated time period. If the applicant supplies the requested information within the designated time period, the creditor shall take action on the application and notify the applicant in accordance with paragraph (a) of this section.

(3) Oral request for information. At its option, a creditor may inform the applicant orally of the need for additional information. If the application remains incomplete the creditor shall send a notice in accordance with paragraph (c)(1) of this section.
(d) **Oral notifications by small-volume creditors.** In the case of a creditor that did not receive more than 150 applications during the preceding calendar year, the requirements of this section (including statements of specific reasons) are satisfied by oral notifications.

(e) **Withdrawal of approved application.** When an applicant submits an application and the parties contemplate that the applicant will inquire about its status, if the creditor approves the application and the applicant has not inquired within 30 days after applying, the creditor may treat the application as withdrawn and need not comply with paragraph (a)(1) of this section.

(f) **Multiple applicants.** When an application involves more than one applicant, notification need only be given to one of them but must be given to the primary applicant where one is readily apparent.

(g) **Applications submitted through a third party.** When an application is made on behalf of an applicant to more than one creditor and the applicant expressly accepts or uses credit offered by one of the creditors, notification of action taken by any of the other creditors is not required. If no credit is offered or if the applicant does not expressly accept or use the credit offered, each creditor taking adverse action must comply with this section, directly or through a third party. A notice given by a third party shall disclose the identity of each creditor on whose behalf the notice is given.

§ 1002.10 **Furnishing of credit information.**

(a) **Designation of accounts.** A creditor that furnishes credit information shall designate:

(1) 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

(2) Any existing account to reflect such participation, within 90 days after receiving a written request to do so from one of the spouses.

(b) **Routine reports to consumer reporting agency.** If a creditor furnishes credit information to a consumer reporting agency concerning an account designated to reflect the participation of both spouses, the creditor shall furnish the information in a manner that will enable the agency to provide access to the information in the name of each spouse.

(c) **Reporting in response to inquiry.** If a creditor furnishes credit information in response to an inquiry, concerning an account designated to reflect the participation of both spouses, the creditor shall furnish the information in the name of the spouse about whom the information is requested.

§ 1002.11 **Relation to state law.**

(a) **Inconsistent state laws.** Except as otherwise provided in this section, this part alters, affects, or preempts only those state laws that are inconsistent with the Act and this part and then only to the extent of the inconsistency. A state law is not inconsistent if it is more protective of an applicant.

(b) **Preempted provisions of state law.**

(1) A state law is deemed to be inconsistent with the requirements of the Act and this part and less protective of an applicant within the meaning of section 705(f) of the Act to the extent that the law:

(i) Requires or permits a practice or act prohibited by the Act or this part;

(ii) Prohibits the individual extension of consumer credit to both parties to a marriage if each spouse individually and voluntarily applies for such credit;

(iii) Prohibits inquiries or collection of data required to comply with the Act or this part;

(iv) Prohibits asking about or considering age in an empirically derived, demonstrably and statistically sound, credit scoring system to determine a pertinent element of creditworthiness, or to favor an elderly applicant; or

(v) Prohibits inquiries necessary to establish or administer a special purpose credit program as defined by §1002.8.

(2) A creditor, state, or other interested party may request that the Bureau determine whether a state law is inconsistent with the requirements of the Act and this part.

(c) **Laws on finance charges, loan ceilings.** If married applicants voluntarily
apply for and obtain individual accounts with the same creditor, the accounts shall not be aggregated or otherwise combined for purposes of determining permissible finance charges or loan ceilings under any Federal or state law. Permissible loan ceiling laws shall be construed to permit each spouse to become individually liable up to the amount of the loan ceilings, less the amount for which the applicant is jointly liable.

(d) State and Federal laws not affected. This section does not alter or annul any provision of state property laws, laws relating to the disposition of decedents’ estates, or Federal or state banking regulations directed only toward insuring the solvency of financial institutions.

(e) Exemption for state-regulated transactions—(1) Applications. A state may apply to the Bureau for an exemption from the requirements of the Act and this part for any class of credit transactions within the state. The Bureau will grant such an exemption if the Bureau determines that:

(i) The class of credit transactions is subject to state law requirements substantially similar to those of the Act and this part or that applicants are afforded greater protection under state law; and

(ii) There is adequate provision for state enforcement.

(2) Liability and enforcement. (i) No exemption will extend to the civil liability provisions of section 706 of the Act or the administrative enforcement provisions of section 704 of the Act.

(ii) After an exemption has been granted, the requirements of the applicable state law (except for additional requirements not imposed by Federal law) will constitute the requirements of the Act and this part.

§ 1002.12 Record retention.

(a) Retention of prohibited information. A creditor may retain in its files information that is prohibited by the Act or this part for use in evaluating applications, without violating the Act or this part, if the information was obtained:

(1) From any source prior to March 23, 1977;

(2) From consumer reporting agencies, an applicant, or others without the specific request of the creditor; or

(3) As required to monitor compliance with the Act and this part or other Federal or state statutes or regulations.

(b) Preservation of records—(1) Applications. For 25 months (12 months for business credit, except as provided in paragraph (b)(5) of this section) after the date that a creditor notifies an applicant of action taken on an application or of incompleteness, the creditor shall retain in original form or a copy thereof:

(i) Any application that it receives, any information required to be obtained concerning characteristics of the applicant to monitor compliance with the Act and this part or other similar law, and any other written or recorded information used in evaluating the application and not returned to the applicant at the applicant’s request;

(ii) A copy of the following documents if furnished to the applicant in written form (or, if furnished orally, any notation or memorandum made by the creditor):

(A) The notification of action taken; and

(B) The statement of specific reasons for adverse action; and

(iii) Any written statement submitted by the applicant alleging a violation of the Act or this part.

(2) Existing accounts. For 25 months (12 months for business credit, except as provided in paragraph (b)(5) of this section) after the date that a creditor notifies an applicant of adverse action regarding an existing account, the creditor shall retain as to that account, in original form or a copy thereof:

(i) Any written or recorded information concerning the adverse action; and

(ii) Any written statement submitted by the applicant alleging a violation of the Act or this part.

(3) Other applications. For 25 months (12 months for business credit, except as provided in paragraph (b)(5) of this section) after the date that a creditor receives an application for which the creditor is not required to comply with the notification requirements of
§ 1002.13 Information for monitoring purposes.

(a) Information to be requested. (1) A creditor that receives an application for credit primarily for the purchase or refinancing of a dwelling occupied or to be occupied by the applicant as a principal residence, where the extension of credit will be secured by the dwelling, shall request as part of the application the following information regarding the applicant(s):

(i) 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;

(ii) Sex;

(iii) Marital status, using the categories married, unmarried, and separated; and

(iv) Age.

(2) Dwelling means a residential structure that contains one to four units, whether or not that structure is attached to real property. The term includes, but is not limited to, an individual condominium or cooperative unit and a mobile or other manufactured home.

(b) Obtaining information. Questions regarding ethnicity, race, sex, marital status, and age may be listed, at the creditor’s option, on the application form or on a separate form that refers to the application. The applicant(s) shall be asked but not required to supply the requested information. If the applicant(s) chooses not to provide the information or any part of it, that fact shall be noted on the form. The creditor shall then also note on the form, to the extent possible, the ethnicity, race, and sex of the applicant(s) on the basis of visual observation or surname.
(c) Disclosure to applicant(s). The creditor shall inform the applicant(s) that
the information regarding ethnicity, race, sex, marital status, and age is
being requested by the Federal Government for the purpose of monitoring
compliance with Federal statutes that prohibit creditors from discriminating
against applicants on those bases. The creditor shall also inform the appli-
cant(s) that if the applicant(s) chooses not to provide the information, the
creditor is required to note the ethnicity, race and sex on the basis of visual
observation or surname.

(d) Substitute monitoring program. A
monitoring program required by an
agency charged with administrative
enforcement under section 704 of the
Act may be substituted for the require-
ments contained in paragraphs (a), (b),
and (c) of this section.

§ 1002.14 Rules on providing apprais-
als and other valuations.
(a) Providing appraisals and other val-
uations—(1) In general. A creditor shall
provide an applicant a copy of all app-
raisals and other written valuations
developed in connection with an appli-
cation for credit that is to be secured
by a first lien on a dwelling. A creditor
shall provide a copy of each such ap-
praisal or other written valuation
promptly upon completion, or three
business days prior to consummation
of the transaction (for closed-end cred-
it) or account opening (for open-end
credit), whichever is earlier. An appli-
cant may waive the timing require-
ment in this paragraph (a)(1) and agree
to receive any copy at or before con-
summation or account opening, except
where otherwise prohibited by law.
Any such waiver must be obtained at
least three business days prior to con-
summation or account opening, unless
the waiver pertains solely to the appli-
cant’s receipt of a copy of an appraisal
or other written valuation that con-
tains only clerical changes from a pre-
vious version of the appraisal or other
written valuation provided to the ap-
plicant three or more business days
prior to consummation or account open-
ing. If the applicant provides a
waiver and the transaction is not con-
summated or the account is not
opened, the creditor must provide these
copies no later than 30 days after the
creditor determines consummation will
not occur or the account will not be
opened.
(2) Disclosure. For applications sub-
ject to paragraph (a)(1) of this section,
a creditor shall mail or deliver to an
applicant, not later than the third
business day after the creditor receives
an application for credit that is to be
secured by a first lien on a dwelling, a
notice in writing of the applicant’s
right to receive a copy of all written
appraisals developed in connection
with the application. In the case of an
application for credit that is not to be
secured by a first lien on a dwelling at
the time of application, if the creditor
later determines the credit will be se-
cured by a first lien on a dwelling, the
creditor shall mail or deliver the same
notice in writing not later than the
third business day after the creditor
determines that the loan is to be se-
cured by a first lien on a dwelling.
(3) Reimbursement. A creditor shall
not charge an applicant for providing a
copy of appraisals and other written
valuations as required under this sec-
tion, but may require applicants to pay
a reasonable fee to reimburse the cred-
itor for the cost of the appraisal or
other written valuation unless other-
wise provided by law.
(4) Withdrawn, denied, or incomplete
applications. The requirements set forth
in paragraph (a)(1) of this section apply
whether credit is extended or denied or
if the application is incomplete or
withdrawn.
(5) Copies in electronic form. The cop-
ies required by § 1002.14(a)(1) may be
provided to the applicant in electronic
form, subject to compliance with the
consumer consent and other applicable
provisions of the Electronic Signatures
in Global and National Commerce Act
(E-Sign Act) (15 U.S.C. 7001 et seq.).
(b) Definitions. For purposes of para-
graph (a) of this section:
(1) Consumption. The term “con-
summation” means the time that a
consumer becomes contractually obli-
gated on a closed-end credit trans-
action.
(2) Dwelling. The term “dwelling”
means a residential structure that con-
tains one to four units whether or not
that structure is attached to real property. The term includes, but is not limited to, an individual condominium or cooperative unit, and a mobile or other manufactured home.

(3) Valuation. The term “valuation” means any estimate of the value of a dwelling developed in connection with an application for credit.

[78 FR 7248, Jan. 31, 2013]

§ 1002.15 Incentives for self-testing and self-correction.

(a) General rules—(1) Voluntary self-testing and correction. The report or results of a self-test that a creditor voluntarily conducts (or authorizes) are privileged as provided in this section. Data collection required by law or by any governmental authority is not a voluntary self-test.

(2) Corrective action required. The privilege in this section applies only if the creditor has taken or is taking appropriate corrective action.

(3) Other privileges. The privilege created by this section does not preclude the assertion of any other privilege that may also apply.

(b) Self-test defined—(1) Definition. A self-test is any program, practice, or study that:

(i) Is designed and used specifically to determine the extent or effectiveness of a creditor’s compliance with the Act or this part; and

(ii) Creates data or factual information that is not available and cannot be derived from loan or application files or other records related to credit transactions.

(2) Types of information privileged. The privilege under this section applies to the report or results of the self-test, data or factual information created by the self-test, and any analysis, opinions, and conclusions pertaining to the self-test report or results. The privilege covers workpapers or draft documents as well as final documents.

(3) Types of information not privileged. The privilege under this section does not apply to:

(i) Information about whether a creditor conducted a self-test, the methodology used or the scope of the self-test, the time period covered by the self-test, or the dates it was conducted; or

(ii) Loan and application files or other business records related to credit transactions, and information derived from such files and records, even if the information has been aggregated, summarized, or reorganized to facilitate analysis.

(c) Appropriate corrective action—(1) General requirement. For the privilege in this section to apply, appropriate corrective action is required when the self-test shows that it is more likely than not that a violation occurred, even though no violation has been formally adjudicated.

(2) Determining the scope of appropriate corrective action. A creditor must take corrective action that is reasonably likely to remedy the cause and effect of a likely violation by:

(i) Identifying the policies or practices that are the likely cause of the violation; and

(ii) Assessing the extent and scope of any violation.

(3) Types of relief. Appropriate corrective action may include both prospective and remedial relief, except that to establish a privilege under this section:

(i) A creditor is not required to provide remedial relief to a tester used in a self-test;

(ii) A creditor is only required to provide remedial relief to an applicant identified by the self-test as one whose rights were more likely than not violated; and

(iii) A creditor is not required to provide remedial relief to a particular applicant if the statute of limitations applicable to the violation expired before the creditor obtained the results of the self-test or the applicant is otherwise ineligible for such relief.

(4) No admission of violation. Taking corrective action is not an admission that a violation occurred.

(d) Scope of privilege—(1) General rule. The report or results of a privileged self-test may not be obtained or used:

(i) By a government agency in any examination or investigation relating to compliance with the Act or this part; or

(ii) By a government agency or an applicant (including a prospective applicant who alleges a violation of §1002.4(b)) in any proceeding or civil
§ 1002.16 Enforcement, penalties and liabilities.

(a) Administrative enforcement. (1) As set forth more fully in section 704 of the Act, administrative enforcement of the Act and this part regarding certain creditors is assigned to the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Board of Directors of the Federal Deposit Insurance Corporation, National Credit Union Administration, Surface Transportation Board, Civil Aeronautics Board, Secretary of Agriculture, Farm Credit Administration, Securities and Exchange Commission, Small Business Administration, Secretary of Transportation, and Bureau of Consumer Financial Protection. (2) Except to the extent that administrative enforcement is specifically assigned to some government agency other than the Bureau, and subject to subtitle B of the Consumer Financial Protection Act of 2010, the Federal Trade Commission is authorized to enforce the requirements imposed under the Act and this part.

(b) Penalties and liabilities. (1) Sections 702(g) and 706(a) and (b) of the Act provide that any creditor that fails to comply with a requirement imposed by the Act or this part is subject to civil liability for actual and punitive damages in individual or class actions. Pursuant to sections 702(g) and 704(b), (c), and (d) of the Act, violations of the Act or this part also constitute violations of other Federal laws. Liability for punitive damages can apply only to non-governmental entities and is limited to $10,000 in individual actions and the lesser of $500,000 or 1 percent of the creditor’s net worth in class actions. Section 706(c) provides for equitable and declaratory relief and section 706(d) authorizes the awarding of costs and reasonable attorney’s fees to an aggrieved applicant in a successful action.

(2) As provided in section 706(f) of the Act, a civil action under the Act or this part may be brought in the appropriate United States district court without regard to the amount in controversy or in any other court of competent jurisdiction within five years after the date of the occurrence of the violation, or within one year after the commencement of an administrative enforcement proceeding or of a civil action brought by the Attorney General of the United States within five years after the alleged violation.

(3) If an agency responsible for administrative enforcement is unable to obtain compliance with the Act or this part, it may refer the matter to the Attorney General of the United States. If the Bureau, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, or the National Credit Union Administration has reason to believe that one
or more creditors have engaged in a pattern or practice of discouraging or denying applications in violation of the Act or this part, the agency shall refer the matter to the Attorney General. If the agency has reason to believe that one or more creditors have engaged in a pattern or practice in violation of the Act or this part, the Attorney General may bring a civil action for such relief as may be appropriate, including actual and punitive damages and injunctive relief.

(5) If the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, or the National Credit Union Administration has reason to believe (as a result of a consumer complaint, a consumer compliance examination, or some other basis) that a violation of the Act or this part has occurred which is also a violation of the Fair Housing Act, and the matter is not referred to the Attorney General, the agency shall:

(i) Notify the Secretary of Housing and Urban Development; and
(ii) Inform the applicant that the Secretary of Housing and Urban Development has been notified and that remedies may be available under the Fair Housing Act.

(c) Failure of compliance. A creditor’s failure to comply with §1002.9(b)(6), §1002.9, §1002.10, §1002.12 or §1002.13 is not a violation if it results from an inadvertent error. On discovering an error under §§1002.9 and 1002.10, the creditor shall correct it as soon as possible. If a creditor inadvertently obtains the monitoring information regarding the ethnicity, race, and sex of the applicant in a dwelling-related transaction not covered by §1002.13, the creditor may retain information and act on the application without violating the regulation.

APPENDIX A TO PART 1002—FEDERAL AGENCIES TO BE LISTED IN ADVERSE ACTION NOTICES

The following list indicates the Federal agency or agencies that should be listed in notices provided by creditors pursuant to §1002.9(b)(1). Any questions concerning a particular creditor may be directed to such agencies. This list is not intended to describe agencies’ enforcement authority for ECOA and Regulation B. Terms that are not defined in the Federal Deposit Insurance Act (12 U.S.C. 1813(s)) shall have the meaning given to them in the International Banking Act of 1978 (12 U.S.C. 3101).

1. Banks, savings associations, and credit unions with total assets of over $10 billion and their affiliates: Bureau of Consumer Financial Protection, 1700 G Street NW., Washington DC 20006. Such affiliates that are not banks, savings associations, or credit unions also should list, in addition to the Bureau, FTC Regional Office for region in which the creditor operates or Federal Trade Commission, Equal Credit Opportunity, Washington, DC 20580.

2. To the extent not included in item 1 above:


b. State member banks, branches and agencies of foreign banks (other than Federal branches, Federal agencies, and insured state branches of foreign banks), commercial lending companies owned or controlled by foreign banks, and organizations operating under section 25 or 25A of the Federal Reserve Act: Federal Reserve Consumer Help Center, P.O. Box 1200, Minneapolis, MN 55480.

c. Nonmember Insured Banks, Insured State Branches of Foreign Banks, and Insured State Savings Associations: FDIC Consumer Response Center, 1100 Walnut Street, Box #11, Kansas City, MO 64106.


3. Air carriers: Assistant General Counsel for Aviation Enforcement and Proceedings, Department of Transportation, 400 Seventh Street SW., Washington, DC 20590.

4. Creditors Subject to Surface Transportation Board: Office of Proceedings, Surface Transportation Board, Department of Transportation, 1925 K Street NW., Washington, DC 20523.

5. Creditors Subject to Packers and Stockyards Act: Nearest Packers and Stockyards Administration area supervisor.

6. Small Business Investment Companies: Associate Deputy Administrator for Capital Access, United States Small Business Administration, 499 Third Street SW., 8th Floor, Washington, DC 20416.

APPENDIX B TO PART 1002—MODEL APPLICATION FORMS

1. This appendix contains five model credit application forms, each designated for use in a particular type of consumer credit transaction as indicated by the bracketed caption on each form. The first sample form is intended for use in open-end, unsecured transactions; the second for closed-end, secured transactions; the third for closed-end transactions, whether unsecured or secured; the fourth in transactions involving community property or occurring in community property states; and the fifth in residential mortgage transactions which contains a model disclosure for use in complying with §1002.13 for certain dwelling-related loans. All forms contained in this appendix are models; their use by creditors is optional.

2. The use or modification of these forms is governed by the following instructions. A creditor may change the forms: by asking for additional information not prohibited by §1002.5; by deleting any information request; or by rearranging the format without modifying the substance of the inquiries. In any of these three instances, however, the appropriate notices regarding the optional nature of courtesy titles, the option to disclose alimony, child support, or separate maintenance, and the limitation concerning marital status inquiries must be included in the appropriate places if the items to which they relate appear on the creditor's form.

3. If a creditor uses an appropriate appendix B model form, or modifies a form in accordance with the above instructions, that creditor shall be deemed to be acting in compliance with the provisions of paragraphs (b), (c) and (d) of §1002.5 of this part.
CREDIT APPLICATION

IMPORTANT: Read these Directions before completing this Application.

Check appropriate box:
☐ If you are applying for an individual account in your own name and are relying on your own income or assets and not the income or assets of another person or the basis for repayment of the credit requested, complete only Sections A and D.
☐ If you are applying for a joint account or an account that you and another person will use, complete all Sections, providing information in B about the joint applicant or users.

We intend to apply for your credit:

Applicant: ________________
Co-applicant: ________________

☐ If you are applying for an individual account, but are relying on income from alimony, child support, or separate maintenance or on the income or assets of another person as the basis for repayment of the credit requested, complete all Sections in the event possible, providing information in B about the person on whose alimony, support, or maintenance payments or income or assets you are relying.

SECTION A — INFORMATION REGARDING APPLICANT

Full Name (Last, First, Middle): ________________
Present Address: ________________
City: ________________ State: ________________ Zip: ________________ Telephone: ________________
Social Security No.: ________________ Driver’s License No.: ________________
Previous Street Address: ________________ Year there: ________________
City: ________________ State: ________________ Zip: ________________ Telephone: ________________
Present Employer: ________________ Years there: ________________
Previous Employer: ________________ Year there: ________________
Position or title: ________________ Name of supervisor: ________________
Employee’s Address: ________________ Previous Employer’s Address: ________________
Present net salary or commission: $ ________________ per ________________ No. Dependents: ________________ Ages: ________________

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Alimony, child support, separate maintenance received under court order: ☐ written agreement: ☐ oral understanding: ☐

Other income: $ ________________ per ________________ Source(s) of other income: ________________

Is any income listed in this Section likely to be reduced in the next two years?
☐ Yes (Explain in detail on a separate sheet.) ☐ No.

Have you ever received credit from us? ☐ Yes: ________________ When: ________________ Office: ________________

Checking Account No.: ________________ Institution and Branch: ________________
Savings Account No.: ________________ Institution and Branch: ________________
Name of nearest relative not living with you: ________________ Telephone: ________________
Relationship: ________________ Address: ________________

SECTION B — INFORMATION REGARDING JOINT APPLICANT, USER, OR OTHER PARTY (Use separate sheets if necessary.)

Full Name (Last, First, Middle): ________________
Relationship to Applicant (of any): ________________
Present Address: ________________
City: ________________ State: ________________ Zip: ________________ Telephone: ________________
Social Security No.: ________________ Driver’s License No.: ________________
Previous Employer: ________________ Years there: ________________
Previous Employer: ________________ Year there: ________________
Present net salary or commission: $ ________________ per ________________ No. Dependents: ________________ Ages: ________________

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Alimony, child support, separate maintenance received under court order: ☐ written agreement: ☐ oral understanding: ☐

Other income: $ ________________ per ________________ Source(s) of other income: ________________

Is any income listed in this Section likely to be reduced in the next two years?
☐ Yes (Explain in detail on a separate sheet.) ☐ No.

Checking Account No.: ________________ Institution and Branch: ________________
Savings Account No.: ________________ Institution and Branch: ________________
Name of nearest relative not living with Applicant, User, or Other Party: ________________ Telephone: ________________
Relationship: ________________ Address: ________________

SECTION C — MARITAL STATUS

(Do not complete if this is an application for an individual account.)

Applicant: ☐ Married ☐ Separated ☐ Unmarried (excluding single, divorced, and widowed)
Other Party: ☐ Married ☐ Separated ☐ Unmarried (excluding single, divorced, and widowed)
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---

### ASSET INFORMATION

**SECTION D — ASSET INFORMATION**

(If Section B has been completed, this Section should be completed giving information about both the Applicant and Joint Applicant, User, or Other Person. Please mark Applicant-related information with an “A.” If Section B was not completed, only give information about the Applicant in this Section.)

**ASSETS OWNED** (Use separate sheet if necessary)

<table>
<thead>
<tr>
<th>Description of Asset</th>
<th>Value</th>
<th>Subject to Debt?</th>
<th>Yes/No</th>
<th>Name(s) of Owner(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automobiles (Make, Model, Year)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Value of Life Insurance (Issuer, Face Value)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate (Location, Date Acquired)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketable Securities (Issuer, Type, No. of Shares)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (List)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Assets $  

---

### OUTSTANDING DEBTS

(Include charge accounts, installment contracts, credits, rent, mortgages, etc. Use separate sheet if necessary.)

<table>
<thead>
<tr>
<th>Credit Reference</th>
<th>Type of Debt</th>
<th>Name or Which Acc. Carried</th>
<th>Original Date</th>
<th>Present Balance</th>
<th>Monthly Payments</th>
<th>Past Due?</th>
<th>Yes/No</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ (One must)</td>
<td>$ (One must)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. (Landlord or Mortgage Holder)</td>
<td>Rent Payments, Mortgage</td>
<td></td>
<td>$ (One must)</td>
<td>$ (One must)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
<td></td>
<td>$ (One must)</td>
<td>$ (One must)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
<td></td>
<td></td>
<td>$ (One must)</td>
<td>$ (One must)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td></td>
<td></td>
<td></td>
<td>$ (One must)</td>
<td>$ (One must)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td></td>
<td></td>
<td></td>
<td>$ (One must)</td>
<td>$ (One must)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td></td>
<td></td>
<td></td>
<td>$ (One must)</td>
<td>$ (One must)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Debts $  

---

**Credit Reference**  
**Date Paid**

---

Are you a co-maker, endorser, or guarantor on any loan or contract?  
Yes ☐ No ☐  
If “yes” for whom? ☐

Are there any unsatisfied judgments against you?  
Yes ☐ No ☐  
If “yes” Amount $ to whom owed? ☐

Have you been declared bankrupt in the last 4 years?  
Yes ☐ No ☐  
If “yes” when? ☐

---

Other Obligations — (E.g., liability to pay alimony, child support, separate maintenance. Use separate sheet if necessary.)

---

Everything that I have stated in this application is correct to the best of my knowledge. I understand that you will review this application whether or not it is approved. You are authorized to check my credit and employment history and to answer questions about your credit experience with me.

---

Applicant’s Signature:  
**Date**

Other Signature (Where applicable):  
**Date**

---

51
<table>
<thead>
<tr>
<th>Full Name (Last, First, Middle):</th>
<th>Birthdate:</th>
<th>/ /</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present Street Address:</td>
<td>State:</td>
<td>Zip:</td>
</tr>
<tr>
<td>City:</td>
<td>Years there:</td>
<td>Telephone:</td>
</tr>
<tr>
<td>Social Security No.:</td>
<td>Driver's License No.:</td>
<td>Years there:</td>
</tr>
<tr>
<td>Previous Street Address:</td>
<td>State:</td>
<td>Zip:</td>
</tr>
<tr>
<td>City:</td>
<td>Years there:</td>
<td>Telephone:</td>
</tr>
<tr>
<td>Present Employer:</td>
<td>Years there:</td>
<td>Telephone:</td>
</tr>
<tr>
<td>Position or title:</td>
<td>Name of supervisor:</td>
<td></td>
</tr>
<tr>
<td>Employer's Address:</td>
<td>Years there:</td>
<td></td>
</tr>
<tr>
<td>Previous Employer's Address:</td>
<td>Years there:</td>
<td></td>
</tr>
<tr>
<td>Present net salary or commission:</td>
<td>$ per</td>
<td>No:</td>
</tr>
<tr>
<td>Aside, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts, child support, or separate maintenance received under court order:</td>
<td>written agreement:</td>
<td>oral understanding:</td>
</tr>
<tr>
<td>Other income:</td>
<td>$ per</td>
<td>Source(s) of other income:</td>
</tr>
</tbody>
</table>

**SECTION B - INFORMATION REGARDING JOINT APPLICANT, OR OTHER PARTY (For separate sheets if necessary)**

<table>
<thead>
<tr>
<th>Full Name (Last, First, Middle):</th>
<th>Birthdate:</th>
<th>/ /</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship to Applicant (of any):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Present Street Address:</td>
<td>State:</td>
<td>Zip:</td>
</tr>
<tr>
<td>City:</td>
<td>Years there:</td>
<td>Telephone:</td>
</tr>
<tr>
<td>Social Security No.:</td>
<td>Driver's License No.:</td>
<td>Years there:</td>
</tr>
<tr>
<td>Present Employer:</td>
<td>Years there:</td>
<td>Telephone:</td>
</tr>
<tr>
<td>Position or title:</td>
<td>Name of supervisor:</td>
<td></td>
</tr>
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<td>Employer's Address:</td>
<td>Years there:</td>
<td></td>
</tr>
<tr>
<td>Previous Employer's Address:</td>
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<td></td>
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<td>Other income:</td>
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<td>Source(s) of other income:</td>
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</table>

**SECTION C - MARITAL STATUS**

<table>
<thead>
<tr>
<th>Applicant:</th>
<th>Married</th>
<th>Separated</th>
<th>Unmarried (including single, divorced, and widowed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Party:</td>
<td>Married</td>
<td>Separated</td>
<td>Unmarried (including single, divorced, and widowed)</td>
</tr>
</tbody>
</table>
### SECTION B - ASSET AND DEBT INFORMATION

If Section B has been completed, this Section should be completed giving information about both the Applicant and Joint Applicant or Other Person. Please mark Applicant-related information with an "A." If Section B was not completed, only give information about the Applicant or this Section.

#### ASSETS OWNED

<table>
<thead>
<tr>
<th>Description of Asset</th>
<th>Value</th>
<th>Subject to Debt?</th>
<th>Yes/No</th>
<th>Name(s) of Owner(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
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<td>Real Estate (Location, Date Acquired)</td>
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<td>Marketable Securities (Issuer, Type, No. of Shares)</td>
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</tr>
<tr>
<td>Other (List)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Total Assets

Total Assets

#### OUTSTANDING DEBT

| Condition | Type of Debt | Name in Which Accr. Current | Original Date | Current Balance | Monthly Payment | Due Date? | Yes/No |
|-----------|--------------|-----------------------------|---------------|-----------------|-----------------|-----------|
| 1. (Landlord or Mortgage Holder) | Rent Payment | | | | | |
| 2. | Mortgage | | | | | |
| 3. | | | | | | |

Total Debts

(Credit References)

Date Paid

1. $  

2. $  

Are you a co-maker, co-endorser, co-guarantor on any loan or credit?  

Yes □ No □  

If "yes" for whom? □ To whom? □  

Are there any unfiled judgments against you?  

Yes □ No □  

Amount $  

If "yes", to whom owed? □ Year |

[Other Obligations: (e.g., liability to pay alimony, child support, separate maintenance. Use separate sheet if necessary.)]

### SECTION E - SECURED CREDIT

(Briefly describe the property to be given as security.)  

and list names and addresses of all co-owners or the property:  

Name:  

Address:  

If the security is real estate, give the full name of your spouse (if any):  

Everything that I have stated in this application is correct to the best of my knowledge. I understand that you will review this application whether or not it is approved. You are authorized to check my credit and employment history and to answer questions about your credit experience with me.

Applicant's Signature

Date

Other Signature  

(When Applicable)  

Date

---
CREDIT APPLICATION

IMPORTANT: Read these Directions before completing this Application.

Check Apprentice Box ☐

☐ If you are applying for individual credit in your own name and are relying on your own income or assets and the income or assets of another person as the basis for repayment of the credit requested, complete only Sections A and D. If the requested credit is to be secured, also complete the first part of Section C and Section E.

☐ If you are applying for joint credit with another person, complete all Sections except E, providing information as B about the joint applicant. If the requested credit is to be secured, then complete Section E.

We intend to apply for joint credit with: 

☐ Applicant 

☐ Co-applicant

☐ If you are applying for joint credit, but are relying on income from another person, child support, or separate maintenance or on the income or assets of another person as the basis for repayment of the credit requested, complete all Sections except E to the extent possible, providing information as B about the person on whose income, support, or maintenance payments or income or assets you are relying. If the requested credit is to be secured, then complete Section E.

Amount Requested $ ____________ Payment Date Desired ____________ Proceeds of Credit To be Used For __________________________

SECTION A — INFORMATION REGARDING APPLICANT

Full Name (Last, First, Middle): ____________________________ Birthdate: ____________

Present Street Address: ____________________________ City: ____________ State: ____________ Zip: ____________ Telephone: ____________

Date of Social Security No: ____________ Driver's License No: ____________

Previous Street Address: ____________________________ City: ____________ State: ____________ Zip: ____________

Date: ____________ Years there: ____________ Telephone: ____________

Present Employer: ____________________________ Years there: ____________

Previous Employer: ____________________________ Name of supervisor: ____________________________

Present Employer's Address: ____________________________

Present net salary or commission: $ ____________ per ____________ No. Dependents: ____________ Age: ____________

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Alimony, child support, separate maintenance received under: court order ☐ written agreement ☐ oral understanding ☐

Other income: $ ____________ per ____________ Source(s) of other income: ____________________________

If any income listed in this Section likely to be reduced before the credit requested is paid off? ☐

☐ Yes (Explain in detail on a separate sheet.)

☐ No

☐ Have you ever received credit from us? ☐

☐ Yes

Office: ____________

Checking Account No: ____________________________ Institution and Branch: ____________________________

Savings Account No: ____________________________ Institution and Branch: ____________________________

Name of nearest relative not living with you: ____________________________

Telephone: ____________________________

Relationship: ____________________________

ADDRESS:

SECTION B — INFORMATION REGARDING JOINT APPLICANT, OR OTHER PARTY (Use separate sheet if necessary.)

Full Name (Last, First, Middle): ____________________________ Birthdate: ____________

Relationship to Applicant (if any): ____________________________

Present Street Address: ____________________________ City: ____________ State: ____________ Zip: ____________ Telephone: ____________

Date of Social Security No: ____________ Driver's License No: ____________

Previous Employer: ____________________________ Years there: ____________

Present Employer: ____________________________ Name of supervisor: ____________________________

Previous Employer's Address: ____________________________

Previous Employer's Address: ____________________________

Present net salary or commission: $ ____________ per ____________ No. Dependents: ____________ Age: ____________

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Alimony, child support, separate maintenance received under: court order ☐ written agreement ☐ oral understanding ☐

Other income: $ ____________ per ____________ Source(s) of other income: ____________________________

If any income listed in this Section likely to be reduced before the credit requested is paid off? ☐

☐ Yes (Explain in detail on a separate sheet.)

☐ No

☐ Checking Account No: ____________________________ Institution and Branch: ____________________________

☐ Savings Account No: ____________________________ Institution and Branch: ____________________________

Name of nearest relative not living with: ____________________________

Joint Applicant or Other Party: ____________________________

Relationship: ____________________________

Address: ____________________________
### Bur. of Consumer Financial Protection

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**SECTION C — MARITAL STATUS**

- Applicant: [ ] Married
- [ ] Separated
- Unmarried (including single, divorced, and widowed)
- Other Party: [ ] Married
- [ ] Separated
- Unmarried (including single, divorced, and widowed)

**SECTION D — ASSET AND DEBT INFORMATION**

- **ASSETS OWNED:** (Use separate sheet if necessary)
  - Description of Assets
  - Value
  - Subject to Debt?
  - Yes/No
  - Name(s) of Owner(s)
  - Cash
  - Automotives (Make, Model, Year)
  - Cash Value of Life Insurance (Issuer, Face Value)
  - Real Estate (Location, Date Acquired)
  - Marketable Securities (Issuer, Type, No. of Shares)
  - Other (List)

- **Total Assets**

- **OUTSTANDING DEBTS** (Include charge accounts, installment accounts, credit cards, rent, mortgages, etc. Use separate sheet if necessary)
  - Creditor
  - Type of Debt or Acc. No.
  - Name on Which Acct. Carried
  - Original Debt
  - Present Balance
  - Monthly Payments
  - Due Date
  - [ ] Yes
  - [ ] No
  - (Credit References)

- **Total Debt**

- **Other Obligations** — (e.g., liability to pay alimony, child support, separate maintenance. Use separate sheet if necessary)

- **SECTION E — SECURED CREDIT** (Complete only if credit is to be secured) Briefly describe the property to be given as security.

- and list names and addresses of all co-owners of the property:
  - Name
  - Address

- If the security is real estate, give the full name of your spouse (if any):
  - Name

- Everything that I have stated in this application is correct to the best of my knowledge. I understand that you will review this application whether or not it is approved. You are authorized to check my credit and employment history and to answer questions about my credit experience with me.

- **Applicant's Signature**
- **Date**
- **Other Signature (Where Applicable)**
- **Date**
CRedit APPLICATION

IMPORTANT: Read these directions before completing this Application.

Check Appropriate Box

☐ If you are applying for individual credit in your own name, you are married, and are not relying onimony, child support, or separate maintenance payments or on the income or assets of another person as the basis for repayment of the credit requested, complete only Sections A and B. If the requested credit is to be secured, also complete Section C.

☐ In all other situations, complete all sections except C. For information on how your spouse, a joint applicant or co-applicant, or the person on whoseimony, support, or separate maintenance payments or income or assets you are relying, if the requested credit is to be secured.

If you intend to apply for joint credit, please initial here.

Amount Requested
$ __________________________

Payment Date Desired
___________________________

Proceeds of Credit
To be Used For
___________________________

SECTION A—INFORMATION REGARDING APPLICANT

Full Name (Last, First, Middle): ________________________________

Birthdate: ____________

Present Street Address: _______________________________________

City: __________________ State: ______ Zip: __________ Telephone: ______

Social Security No.: __________________ Driver's License No.: ______

Previous Street Address: _____________________________________

City: __________________ State: ______ Zip: __________ Telephone: ______

Present Employer: ___________________________________________

Years there: ____________ Years there: ____________

Position or title: _____________________________________________

Name of supervisor: __________________________________________

Employer's Address: __________________________________________

Previous Employer: ___________________________________________

Years there: ____________

Previous Employee's Address:

Present net salary or commission: $ ______ per ________ No Dependents: ______

Aimoney, child support, or separate maintenance income used must be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Aimoney, child support, separate maintenance received under court order ☐ written agreement ☐ oral understanding ☐

Other income: $ ______ per ________ Source(s) of other income: __________

☐ If any income listed in this section is likely to be reduced in the near two years or before the credit requested is paid off?

☐ Yes (Explain in detail on a separate sheet) ☐ No ☐

Have you ever received credit from us? ☐ Yes ☐ No

When? __________________________________________

Office: __________________________________________

Checking Account No.: _____________________________ Institution and Branch:

Savings Account No.: _____________________________ Institution and Branch:

Name of nearest relative now living with you: __________________

Telephone: ______

Relationship: ____________________________ Address: __________

SECTION B—INFORMATION REGARDING SPOUSE, JOINT APPLICANT, USER, OR OTHER PARTY (Use separate sheets if necessary)

Full Name (Last, First, Middle): ________________________________

Birthdate: ____________

Relationship to Applicant (if any): __________

Present Street Address: _______________________________________

City: __________________ State: ______ Zip: __________ Telephone: ______

Social Security No.: __________________ Driver's License No.: ______

Previous Street Address: _____________________________________

City: __________________ State: ______ Zip: __________ Telephone: ______

Present Employer: ___________________________________________

Years there: ____________ Years there: ____________

Position or title: _____________________________________________

Name of supervisor: __________________________________________

Employer's Address: __________________________________________

Previous Employer: ___________________________________________

Years there: ____________

Previous Employee's Address:

Present net salary or commission: $ ______ per ________ No Dependents: ______

Aimoney, child support, or separate maintenance income used must be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Aimoney, child support, separate maintenance received under court order ☐ written agreement ☐ oral understanding ☐

Other income: $ ______ per ________ Source(s) of other income: __________

☐ If any income listed in this section is likely to be reduced in the near two years or before the credit requested is paid off?

☐ Yes (Explain in detail on a separate sheet) ☐ No ☐

Checking Account No.: _____________________________ Institution and Branch:

Savings Account No.: _____________________________ Institution and Branch:

Name of nearest relative now living with you: __________________

Telephone: ______

Relationship: ____________________________ Address: __________
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SECTION C — MARITAL STATUS
Applicant: ☐ Married ☐ Separated ☐ Unmarried (including single, divorced, and widowed)
Other Party: ☐ Married ☐ Separated ☐ Unmarried (including single, divorced, and widowed)

SECTION D — ASSET AND DEBT INFORMATION (If Section B has been completed, this Section should be completed giving information about both the Applicant and Spouse, from Applicant, User, or Other Persons. Please mark Applicant-related information with an “A.” If Section B was not completed, only give information about the Applicant in this Section.)

<table>
<thead>
<tr>
<th>ASSET (OWNED)</th>
<th>Description of Asset</th>
<th>Value</th>
<th>Subject to Debt?</th>
<th>Yes/No</th>
<th>Name(s) of Owner(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
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<td></td>
</tr>
<tr>
<td>Automobiles (Make, Model, Year)</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Value of Life Insurance (Issuer, Face Value)</td>
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<td></td>
</tr>
<tr>
<td>Other (List)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Assets: $ 

OUTSTANDING DEBT (Include charge accounts, installment contracts, credit cards, rent, mortgages, etc. Use separate sheet if necessary.)

<table>
<thead>
<tr>
<th>Creditor</th>
<th>Type of Debt or Accs. No.</th>
<th>Name in Which Accs. Held</th>
<th>Original Date</th>
<th>Present Balance</th>
<th>Monthly Payments</th>
<th>Paid Dict? Date/Paid?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. (Landlord or Mortgage Holder)</td>
<td>Rent Payment</td>
<td></td>
<td>$ (Omit rent)</td>
<td>$ (Omit rent)</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Mortgage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Debt</td>
<td></td>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>

(Credit Debtor: ) Date/Paid: 

1. $ 

2. 

<table>
<thead>
<tr>
<th>Are you a co-maker, endorser, or guarantee on any loan or contract?</th>
<th>Yes</th>
<th>No</th>
<th>If “yes” for whom?</th>
<th>To whom?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are there any judgments against you?</td>
<td>Yes</td>
<td>No</td>
<td>Amount</td>
<td>If “yes”</td>
</tr>
<tr>
<td>Have you been declared bankrupt in the last 4 years?</td>
<td>Yes</td>
<td>No</td>
<td>If “yes”</td>
<td>To whom?</td>
</tr>
</tbody>
</table>

Other Obligations: (E.g., liability to pay alimony, child support, spousal maintenance. Use separate sheet if necessary.)

SECTION E — SECURED CREDIT (Complete only if credit is to be secured.) Briefly describe the property to be given as security.

and list names and addresses of all co-owners of the property:

Name | Address
--- | ---

Everything that I have stated in this application is correct to the best of my knowledge. I understand that you will review this application whether or not it is approved. You are authorized to check my credit and employment history and to answer questions about your arrest experience with me.

Applicant’s Signature | Date | Other Signature (Whose Application) | Date
--- | --- | --- | ---

57
Uniform Residential Loan Application

This application is designed to be completed by the applicant(s) with the Lender's assistance. Applicants should complete this form as "Borrower" or "Co-Borrower," as applicable. Co-Borrower information must also be provided. If the appropriate box is checked when "the income or assets of a person other than the Borrower" (including the Borrower's spouse) will be used as a basis for loan qualification, or if the income or assets of the Borrower's spouse will not be used as a basis for loan qualification, but his or her liabilities must be considered because the Borrower resides in a community property state, the security property is located in a community property state, or the Borrower is relying on other property located in a community property state as a basis for repayment of the loan.

<table>
<thead>
<tr>
<th>1. TYPE OF MORTGAGE AND TERMS OF LOAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage:</td>
</tr>
<tr>
<td>Application:</td>
</tr>
<tr>
<td>Lender Case Number</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. PROPERTY INFORMATION AND PURPOSE OF LOAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject Property Address (street, city, state, ZIP)</td>
</tr>
<tr>
<td>Legal Description of Subject Property (attach description if necessary)</td>
</tr>
<tr>
<td>Purpose of Loan:</td>
</tr>
<tr>
<td>Property will be:</td>
</tr>
<tr>
<td>Year</td>
</tr>
<tr>
<td>Year 1</td>
</tr>
<tr>
<td>Year 2</td>
</tr>
<tr>
<td>Title will be held in name(s):</td>
</tr>
<tr>
<td>Source of Down Payment, Settlement Charges and/or Subordinate Financing (explain)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. BORROWER INFORMATION</th>
<th>Co-Borrower</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security Number:</td>
<td>Home Phone (incl. area code)</td>
</tr>
<tr>
<td>Social Security Number:</td>
<td>Social Security Number:</td>
</tr>
<tr>
<td>Married:</td>
<td>Unmarried: (include single, divorced, widowed)</td>
</tr>
<tr>
<td>Separated:</td>
<td>Dependents (not listed by Co-Borrower)</td>
</tr>
<tr>
<td>Present Address (street, city, state, ZIP)</td>
<td>Owner</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. EMPLOYMENT INFORMATION</th>
<th>Co-Borrower</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name &amp; Address of Employer:</td>
<td>Self Employed:</td>
</tr>
<tr>
<td>Name &amp; Address of Employer:</td>
<td>Self Employed:</td>
</tr>
<tr>
<td>Position/Title/Type of Business:</td>
<td>Business Phone (incl. area code)</td>
</tr>
<tr>
<td>Position/Title/Type of Business:</td>
<td>Position/Title/Type of Business</td>
</tr>
<tr>
<td>If employed in current position for less than two years or if currently employed in more than one position, complete the following:</td>
<td></td>
</tr>
<tr>
<td>Name &amp; Address of Employer:</td>
<td>Self Employed:</td>
</tr>
<tr>
<td>Name &amp; Address of Employer:</td>
<td>Self Employed:</td>
</tr>
<tr>
<td>Position/Title/Type of Business:</td>
<td>Business Phone (incl. area code)</td>
</tr>
<tr>
<td>Position/Title/Type of Business:</td>
<td>Position/Title/Type of Business</td>
</tr>
<tr>
<td>Name &amp; Address of Employer:</td>
<td>Self Employed:</td>
</tr>
<tr>
<td>Name &amp; Address of Employer:</td>
<td>Self Employed:</td>
</tr>
<tr>
<td>Position/Title/Type of Business:</td>
<td>Business Phone (incl. area code)</td>
</tr>
<tr>
<td>Position/Title/Type of Business:</td>
<td>Position/Title/Type of Business</td>
</tr>
</tbody>
</table>

Fannie Mac Form 65 01/04  Page 1 of 4
### V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION

<table>
<thead>
<tr>
<th>Gross Monthly Income</th>
<th>Borrower</th>
<th>Co-Borrower</th>
<th>Total Housing Expense</th>
<th>Present</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overtime</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend/Interest</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Rent Income</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Income Sources</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Self-Employed Borrower(s) may be required to provide additional documentation such as tax returns and financial statements.

Describe Other Income: **None.** All money, child support, or separate maintenance income need not be revealed if the Borrower (B) or Co-Borrower (C) does not choose to have it considered for repaying this loan.

<table>
<thead>
<tr>
<th>B/C</th>
<th>Monthly Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### VI. ASSETS AND LIABILITIES

The Statement of assets and liabilities schedule may be completed jointly by the applicant and/or co-applicant to determine the applicant's mobility and stability for additional support. The statement must include all assets and liabilities that are sufficiently proven so that the statement can be meaningfully and fairly presented as a combined basis. Otherwise, separate statements and schedules are required. The Co-Borrower section was completed jointly. The Statement and supporting schedules must be completed about a spouse. If the Co-Borrower section was completed joint. The statement and supporting schedules must be completed about a spouse. Only joint assets and liabilities are allowed.

<table>
<thead>
<tr>
<th>Description</th>
<th>ASSETS</th>
<th>Cash or Market Value</th>
<th>Liabilities and Pledged Assets</th>
<th>Monthly Payment &amp; Month Left to Pay</th>
<th>Unpaid Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>600</td>
<td>0</td>
<td>Name and address of Company</td>
<td>$Payment/Months</td>
<td>$Unpaid Balance</td>
</tr>
<tr>
<td>Savings</td>
<td>600</td>
<td>0</td>
<td>Name and address of Company</td>
<td>$Payment/Months</td>
<td>$Unpaid Balance</td>
</tr>
<tr>
<td>Stocks</td>
<td>600</td>
<td>0</td>
<td>Name and address of Company</td>
<td>$Payment/Months</td>
<td>$Unpaid Balance</td>
</tr>
<tr>
<td>Bonds</td>
<td>600</td>
<td>0</td>
<td>Name and address of Company</td>
<td>$Payment/Months</td>
<td>$Unpaid Balance</td>
</tr>
<tr>
<td>Life insurance net cash value</td>
<td>600</td>
<td>0</td>
<td>Name and address of Company</td>
<td>$Payment/Months</td>
<td>$Unpaid Balance</td>
</tr>
<tr>
<td>Fire/propertyinsurance</td>
<td>600</td>
<td>0</td>
<td>Name and address of Company</td>
<td>$Payment/Months</td>
<td>$Unpaid Balance</td>
</tr>
<tr>
<td>Real estate owned (current market value)</td>
<td>600</td>
<td>0</td>
<td>Name and address of Company</td>
<td>$Payment/Months</td>
<td>$Unpaid Balance</td>
</tr>
<tr>
<td>Real estate owned (cost of principal and interest)</td>
<td>600</td>
<td>0</td>
<td>Name and address of Company</td>
<td>$Payment/Months</td>
<td>$Unpaid Balance</td>
</tr>
<tr>
<td>Total Assets</td>
<td>600</td>
<td>0</td>
<td>Name and address of Company</td>
<td>$Payment/Months</td>
<td>$Unpaid Balance</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>600</td>
<td>0</td>
<td>Name and address of Company</td>
<td>$Payment/Months</td>
<td>$Unpaid Balance</td>
</tr>
<tr>
<td>Net Worth</td>
<td>600</td>
<td>0</td>
<td>Name and address of Company</td>
<td>$Payment/Months</td>
<td>$Unpaid Balance</td>
</tr>
</tbody>
</table>

**Fannie Mae Form 1003 01/04 Page 3 of 4 Fannie Mae Form 1003 01/04**
<table>
<thead>
<tr>
<th>Borrower:</th>
<th>Agency Case Number:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Co-Borrower:</th>
<th>Lender Case Number:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**Continuation Sheet/Residential Loan Application**

I, fully understand that it is a Federal crime punishable by fine or imprisonment, or both, to knowingly make any false statements concerning any of the above facts as applicable under the provisions of Title 18, United States Code, Section 1001, et seq.

---

**Borrower's Signature**

**Co-Borrower's Signature**

**Date**

**Date**
APPENDIX C TO PART 1002—SAMPLE NOTIFICATION FORMS

1. This Appendix contains ten sample notification forms. Forms C-1 through C-4 are intended for use in notifying an applicant that adverse action has been taken on an application or account under §§ 1002.9(a)(1) and (2)(i). Form C-5 is a notice of disclosure of the right to request specific reasons for adverse action under §§ 1002.9(a)(1) and (2)(ii). Form C-6 is designed for use in notifying an applicant, under §1002.9(c)(2), that an application is incomplete. Forms C-7 and C-8 are intended for use in connection with applications for business credit under §1002.9(a)(3). Form C-9 is designed for use in notifying an applicant for nonmortgage credit that the creditor is requesting applicant characteristic information. Form C-10 is designed for use in notifying an applicant to the right to receive a copy of appraisals under §1002.14. Form C-10 is designed for use in notifying an applicant for nonmortgage credit that the creditor is requesting applicant characteristic information.

2. Form C-1 contains the Fair Credit Reporting Act disclosure as required by sections 615(a) and (b) of that act. Forms C-2 through C-5 contain only the section 615(a) disclosure (that a creditor obtained information from a consumer reporting agency that was considered in the credit decision). A creditor must provide the section 615(a) disclosure when adverse action is taken against a consumer based on information from a consumer reporting agency. A creditor must provide the section 615(b) disclosure when adverse action is taken based on information from an outside source other than a consumer reporting agency. In addition, a creditor must provide the section 615(b) disclosure when adverse action is taken based on information from an affiliate other than information in a consumer report or other than information concerning the affiliate’s own transactions or experiences with the consumer. Creditors may comply with the disclosure requirements for adverse action based on information in a consumer report obtained from an affiliate by providing either the section 615(a) or section 615(b) disclosure. Optional language in Forms C-1 through C-5 may be used to direct the consumer to the entity that provided the credit score for any questions about the credit score, along with the entity’s contact information. Creditors may use or not use this additional language without losing the safe harbor, since the language is optional.

3. The sample forms are illustrative and may not be appropriate for all creditors. They were designed to include some of the factors that creditors most commonly consider. If a creditor chooses to use the checklist of reasons provided in one of the sample forms in this appendix and if reasons commonly used by the creditor are not provided on the form, the creditor should modify the checklist by substituting or adding other reasons. For example, if “inadequate down payment” or “no deposit relationship with us” are common reasons for taking adverse action on an application, the creditor ought to add or substitute such reasons for those presently contained on the sample forms.

4. If the reasons listed on the forms are not the factors actually used, a creditor will not satisfy the notice requirement by simply checking the closest identifiable factor listed.

5. A creditor may design its own notification forms or use all or a portion of the forms contained in this Appendix. Proper use of Forms C-1 through C-4 will satisfy the requirement of §1002.9(a)(2)(i). Proper use of Forms C-5 and C-6 constitutes full compliance with §§ 1002.9(a)(2)(ii) and 1002.9(c)(2), respectively. Proper use of Forms C-1 through C-4 will satisfy the notice requirement by simply checking the closest identifiable factor listed. For example, some creditors consider only references from banks or other depository institutions and disregard finance company references altogether; their statement of reasons should disclose “insufficient credit references.” Similarly, a creditor that considers bank references and other credit references as distinct factors should treat the two factors separately and disclose them as appropriate. The creditor should either add such other factors to the form or check “other” and include the appropriate explanation. The creditor need not, however, describe how or why a factor adversely affected the application. For example, the notice may say “length of residence” rather than “too short a period of residence.”

6. A creditor may design its own notification forms or use all or a portion of the forms contained in this Appendix. Proper use of Forms C-1 through C-4 will satisfy the requirement of §1002.9(a)(2)(i). Proper use of Forms C-5 and C-6 constitutes full compliance with §§ 1002.9(a)(2)(ii) and 1002.9(c)(2), respectively. Proper use of Forms C-1 through C-4 will satisfy the requirement of §1002.9(a)(2)(i) and (ii), respectively, for applications for business credit. Proper use of Form C-9 will satisfy the requirements of §1002.14 of this part. Proper use of Form C-10 will satisfy the requirements of §1002.5(b)(1).

FORM C-1—SAMPLE NOTICE OF ACTION TAKEN AND STATEMENT OF REASONS

Statement of Credit Denial, Termination or Change

Date: ____________________________

Applicant’s Name: ____________________________

Applicant’s Address: ____________________________

Description of Account, Transaction, or Requested Credit: ____________________________

Description of Action Taken: ____________________________

PART I—PRINCIPAL REASON(S) FOR CREDIT DENIAL, TERMINATION, OR OTHER ACTION TAKEN CONCERNING CREDIT

This section must be completed in all instances.

Credit application incomplete
Insufficient number of credit references provided
Unacceptable type of credit references provided
Unable to verify credit references
Temporary or irregular employment
Dear Applicant: Thank you for your recent application. Your request for [a loan/a credit card/an increase in your credit limit] was carefully considered, and we regret that we are unable to approve your application at this time, for the following reason(s):

**Your Income:**
- is below our minimum requirement.
- is insufficient to sustain payments on the amount of credit requested.
- could not be verified.

**Your Employment:**
- is not of sufficient length to qualify.
- could not be verified.

**Your Credit History:**
- of making payments on time was not satisfactory.
- could not be verified.

**Your Application:**
- lacks a sufficient number of credit references.
- lacks acceptable types of credit references.
- lacks good faith exercised any right under the Consumer Credit Protection Act.
- the applicant has the capacity to enter into a binding contract; because all or part of the applicant’s income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is (name and address as specified by the appropriate agency listed in appendix A).

**Notice:** The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant’s income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is (name and address as specified by the appropriate agency listed in appendix A).

**Form C–2—Sample Notice of Action Taken and Statement of Reasons**

Date

Dear Applicant: Thank you for your recent application. Your request for [a loan/a credit card/an increase in your credit limit] was carefully considered, and we regret that we are unable to approve your application at this time, for the following reason(s):

**Your Income:**
- is below our minimum requirement.
- is insufficient to sustain payments on the amount of credit requested.
- could not be verified.

**Your Employment:**
- is not of sufficient length to qualify.
- could not be verified.

**Your Credit History:**
- of making payments on time was not satisfactory.
- could not be verified.

**Your Application:**
- lacks a sufficient number of credit references.
- lacks acceptable types of credit references.
- lacks good faith exercised any right under the Consumer Credit Protection Act.
- the applicant has the capacity to enter into a binding contract; because all or part of the applicant’s income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is (name and address as specified by the appropriate agency listed in appendix A).

**Notice:** The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant’s income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is (name and address as specified by the appropriate agency listed in appendix A).

**Form C–2—Sample Notice of Action Taken and Statement of Reasons**

Date

Dear Applicant: Thank you for your recent application. Your request for [a loan/a credit card/an increase in your credit limit] was carefully considered, and we regret that we are unable to approve your application at this time, for the following reason(s):

**Your Income:**
- is below our minimum requirement.
- is insufficient to sustain payments on the amount of credit requested.
- could not be verified.

**Your Employment:**
- is not of sufficient length to qualify.
- could not be verified.

**Your Credit History:**
- of making payments on time was not satisfactory.
- could not be verified.

**Your Application:**
- lacks a sufficient number of credit references.
- lacks acceptable types of credit references.
Dear Applicant: Thank you for your recent application for . We regret that we are unable to approve your request.

[Reasons for Denial of Credit]

Your application was processed by a [credit scoring] system that assigns a numerical value to the various items of information we consider in evaluating an application. These numerical values are based upon the results of analyses of repayment histories of large numbers of customers. The information you provided in your application did not score a sufficient number of points for approval of the application. The reasons you did not score well compared with other applicants were:

- Insufficient bank references
- Type of occupation
- Insufficient credit experience
- Number of recent inquiries on credit bureau report

[Your Right to Get Your Consumer Report]

In evaluating your application the consumer reporting agency listed below provided us with information that in whole or in part influenced our decision. The consumer reporting agency played no part in our decision and is unable to supply specific reasons why we have denied credit to you. You have a right under the Fair Credit Reporting Act to know the information contained in your credit file at the consumer reporting agency. It can be obtained by contacting: [Name, address, and [toll-free] telephone number of consumer reporting agency]. You also have a right to a free copy of your report from the consumer reporting agency, if you request it no later than 60 days after you receive this notice. In addition, if you find that any information contained in the report you receive is inaccurate or incomplete, you have the right to dispute the matter with the reporting agency. Any questions regarding this letter, you should contact us at [creditor’s name, address and [toll-free] telephone number]. If you have any such information should be directed to [consumer reporting agency].

[We also obtained your credit score from the consumer reporting agency and used it in making our credit decision. Your credit score is a number that reflects the information in your consumer report. Your credit score can change, depending on how the information in your consumer report changes.]

Your credit score: __________________________

Date: __________________________

Scores range from a low of _______ to a high of _______.

Key factors that adversely affected your credit score:

____________________________

____________________________

____________________________

____________________________

(Number of recent inquiries on consumer report, as a key factor)

[If you have any questions regarding your credit score, you should contact [entity that provided the credit score] at:]

Address: __________________________

[toll-free] Telephone number: _______

Notice: The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant’s income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is (name and address as specified by the appropriate agency listed in appendix A).

FORM C-3—SAMPLE NOTICE OF ACTION TAKEN AND STATEMENT OF REASONS (CREDIT SCORING)

Date: __________________________

Dear Applicant: Thank you for your recent application for . We regret that we are unable to approve your request.

[Reasons for Denial of Credit]

Your application was processed by a [credit scoring] system that assigns a numerical value to the various items of information we consider in evaluating an application. These numerical values are based upon the results of analyses of repayment histories of large numbers of customers. The information you provided in your application did not score a sufficient number of points for approval of the application. The reasons you did not score well compared with other applicants were:

- Insufficient bank references
- Type of occupation
- Insufficient credit experience
- Number of recent inquiries on credit bureau report

[Your Right to Get Your Consumer Report]

In evaluating your application the consumer reporting agency listed below provided us with information that in whole or in part influenced our decision. The consumer reporting agency played no part in our decision and is unable to supply specific reasons why we have denied credit to you. You have a right under the Fair Credit Reporting Act to know the information contained in your credit file at the consumer reporting agency. It can be obtained by contacting: [Name, address, and [toll-free] telephone number of consumer reporting agency]. You also have a right to a free copy of your report from the consumer reporting agency, if you request it no later than 60 days after you receive this notice. In addition, if you find that any information contained in the report you receive is inaccurate or incomplete, you have the right to dispute the matter with the reporting agency.

[Information about Your Credit Score]

We also obtained your credit score from the consumer reporting agency and used it in making our credit decision. Your credit score is a number that reflects the information in your consumer report. Your credit score can change, depending on how the information in your consumer report changes.

Your credit score: __________________________

Date: __________________________

Scores range from a low of _______ to a high of _______.

Key factors that adversely affected your credit score:

____________________________

____________________________

____________________________

____________________________

(Number of recent inquiries on consumer report, as a key factor)

[If you have any questions regarding your credit score, you should contact [entity that provided the credit score] at:]

Address: __________________________

[toll-free] Telephone number: _______

Notice: The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant’s income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is (name and address as specified by the appropriate agency listed in appendix A).

[Number of recent inquiries on consumer report, as a key factor]

[If you have any questions regarding your credit score, you should contact [entity that provided the credit score] at:

Address: ____________________________

[Toll-free] Telephone number: ________

If you have any questions regarding this letter, you should contact us at

Creditor’s Name: ______________________

Address: ____________________________

Telephone: __________________________

Sincerely,

Notice: The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (with certain limited exceptions); because all or part of the applicant’s income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is [name and address of the appropriate Federal enforcement agency listed in appendix A].

FORM C–4—SAMPLE NOTICE OF ACTION TAKEN, STATEMENT OF REASONS AND COUNTEROFFER

Date

Dear Applicant: Thank you for your application for _________. We are unable to offer you credit on the terms that you requested for the following reason(s):

We can, however, offer you credit on the following terms: _________.

If this offer is acceptable to you, please notify us within [amount of time] at the following address: _________.

Our credit decision on your application was based in whole or in part on information obtained in a report from [name, address and [toll-free] telephone number of the consumer reporting agency]. You have a right under the Fair Credit Reporting Act to know the information contained in your credit file at the consumer reporting agency. The reporting agency played no part in our decision and is unable to supply specific reasons why we have denied credit to you. You also have a right to a free copy of your report from the reporting agency, if you request it no later than 60 days after you receive this notice. In addition, if you find that any information contained in the report you receive is inaccurate or incomplete, you have the right to dispute the matter with the reporting agency.

[We also obtained your credit score from the consumer reporting agency and used it in making our credit decision. Your credit score is a number that reflects the information in your consumer report. Your credit score can change, depending on how the information in your consumer report changes. Your credit score: _________.

Date: _________.

Scores range from a low of _________ to a high of _________.

Key factors that adversely affected your credit score:

[Number of recent inquiries on consumer report, as a key factor]

[If you have any questions regarding your credit score, you should contact [entity that provided the credit score] at:

Address: ____________________________

[Toll-free] Telephone number: ________

You should know that the Federal Equal Credit Opportunity Act prohibits creditors, such as ourselves, from discriminating against credit applicants on the basis of their race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract), because they receive income from a public assistance program, or because they may have exercised their rights under the Consumer Credit Protection Act. If you believe there has been discrimination in handling your application you should contact the [name and address of the appropriate Federal enforcement agency listed in appendix A].

Sincerely,

FORM C–5—SAMPLE DISCLOSURE OF RIGHT TO REQUEST SPECIFIC REASONS FOR CREDIT DENIAL

Date

Dear Applicant: Thank you for applying to us for _________.

After carefully reviewing your application, we are sorry to advise you that we cannot [open an account for you/grant a loan to you/increase your credit limit] at this time. If you would like a statement of specific reasons why your application was denied, please contact [our credit service manager] shown below within 60 days of the date of this letter. We will provide you with the statement of reasons within 30 days after receiving your request.

Creditor’s name: ______________________

Address: ____________________________

Telephone number: __________________
no part in our decision and is unable to supply specific reasons why we have denied credit to you. [You have a right under the Fair Credit Reporting Act to know the information contained in your credit file at the consumer reporting agency.] You have a right to a free copy of your report from the reporting agency, if you request it no later than 60 days after you receive this notice. In addition, if you find that any information contained in the report you received is inaccurate or incomplete, you have the right to dispute the matter with the reporting agency. You can find out about the information contained in your file (if one was used) by contacting:

Consumer reporting agency’s name
Address
[Toll-free] Telephone number

We also obtained your credit score from the consumer reporting agency and used it in making our credit decision. Your credit score is a number that reflects the information in your consumer report. Your credit score can change, depending on how the information in your consumer report changes. Your credit score: ____________

Date:
Scores range from a low of _______ to a high of _______
Key factors that adversely affected your credit score:

_________ ____________

(Number of recent inquiries on consumer report, as a key factor)
(If you have any questions regarding your credit score, you should contact [entity that provided the credit score] at:
Address:
[Toll-free] Telephone number: _______)

Sincerely,

Notice: The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of age, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant’s income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is [name and address as specified by the appropriate agency listed in appendix A].

FORM C-8—SAMPLE DISCLOSURE OF RIGHT TO REQUEST SPECIFIC REASONS FOR CREDIT DENIAL GIVEN AT TIME OF APPLICATION (BUSINESS CREDIT)

Creditor’s name
Creditor’s address
Date
Dear Applicant: Thank you for your application for business credit. We have given your request careful consideration, and regret that we are unable to extend credit to you at this time for the following reasons:
(Insert appropriate reason, such as: Value or type of collateral not sufficient; Lack of established earnings record; Slow or past due in trade or loan payments)

Sincerely,

Notice: The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant’s income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is [name and address as specified by the appropriate agency listed in appendix A].

FORM C-7—SAMPLE NOTICE OF ACTION TAKEN AND STATEMENT OF REASONS (BUSINESS CREDIT)

Creditor’s name
Creditor’s address
Date
Dear Applicant: Thank you for applying to us for credit. We have given your request careful consideration, and regret that we are unable to extend credit to you at this time, we will regrettably be unable to give further consideration to your credit request.

Sincerely,
marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is [name and address as specified by the appropriate agency listed in appendix A].

FORM C-9—SAMPLE DISCLOSURE OF RIGHT TO RECEIVE A COPY OF APPRAISALS

We may order an appraisal to determine the property’s value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost. (In your letter, give us the following information.)

FORM C-10—SAMPLE DISCLOSURE ABOUT VOLUNTARY DATA NOTATION

We are requesting the following information to monitor our compliance with the Federal Equal Credit Opportunity Act, which prohibits unlawful discrimination. You are not required to provide this information. We will not take this information (or your decision not to provide this information) into account in connection with your application or credit transaction. The law provides that a creditor may not discriminate based on this information, or based on whether or not you choose to provide it. (If you choose not to provide the information, we will note it by visual observation or surname).

Section 1002.1—Authority, Scope, and Purpose

1. Authority and scope. The Equal Credit Opportunity Act and Regulation B apply to all credit—commercial as well as personal—without regard to the nature or type of the credit or the creditor, except for an entity excluded from coverage of this part (but not the Act) by section 1029 of the Consumer Financial Protection Act of 2010 (12 U.S.C. 5519). If a transaction provides for the deferral of the payment of a debt, it is credit covered by Regulation B even though it may not be a credit transaction covered by Regulation Z (Truth in Lending) (12 CFR part 1026). Further, the definition of creditor is not restricted to the
party or person to whom the obligation is initially payable, as is the case under Regulation Z. Moreover, the Act and regulation apply to all methods of credit evaluation, whether performed judgmentally or by use of a credit scoring system.

2. Foreign applicability. Regulation B generally does not apply to lending activities that occur outside the United States. The regulation does apply to lending activities that take place within the United States (as well as the Commonwealth of Puerto Rico and any territory or possession of the United States), whether or not the applicant is a citizen.

3. Bureau. The term Bureau, as used in this part, means the Bureau of Consumer Financial Protection.

Section 1002.2—Definitions

2(c) Adverse action.

Paragraph 2(c)(1)(i).

1. Application for credit. If the applicant applied in accordance with the creditor's procedures, a refusal to refinance or extend the term of a business or other loan is adverse action.

Paragraph 2(c)(1)(ii).

1. Move from service area. If a credit card issuer terminates the open-end account of a customer because the customer has moved out of the card issuer's service area, the termination is adverse action unless termination on this ground was explicitly provided for in the credit agreement between the parties. In cases where termination is adverse action, notification is required under §1002.9.

2. Termination based on credit limit. If a creditor terminates credit accounts that have low credit limits (for example, under $400) but keeps open accounts with higher credit limits, the termination is adverse action and notification is required under §1002.9.

Paragraph 2(c)(2)(i).

1. Default—exercise of due-on-sale clause. If a mortgagor sells or transfers mortgaged property without the consent of the mortgagee, and the mortgagee exercises its contractual right to accelerate the mortgage loan, the mortgagee may treat the mortgagor as being in default. An adverse action notice need not be given to the mortgagor or the transferee. (See comment 2(e)-1 for treatment of a purchaser who requests to assume the loan.)

2. Current delinquency or default. The term adverse action does not include a creditor's termination of an account when the accountholder is currently in default or delinquent on that account. Notification in accordance with §1002.9 of the regulation generally is required, however, if the creditor's action is based on a past delinquency or default on the account.

Paragraph 2(c)(2)(ii).

1. Point-of-sale transactions. Denial of credit at point of sale is not adverse action except under those circumstances specified in the regulation. For example, denial at point of sale is not adverse action in the following situations:

i. A credit cardholder presents an expired card or a card that has been reported to the card issuer as lost or stolen.

ii. The amount of a transaction exceeds a cash advance or credit limit.

iii. The circumstances (such as excessive use of a credit card in a short period of time) suggest that fraud is involved.

iv. The authorization facilities are not functioning.

v. Billing statements have been returned to the creditor for lack of a forwarding address.

2. Application for increase in available credit. A refusal or failure to authorize an account transaction at the point of sale or loan is not adverse action except when the refusal is a denial of an application, submitted in accordance with the creditor's procedures, for an increase in the amount of credit.

Paragraph 2(c)(2)(v).

1. Terms of credit versus type of credit offered. When an applicant applies for credit and the creditor does not offer the credit terms requested by the applicant (for example, the interest rate, length of maturity, collateral, or amount of downpayment), a denial of the application for that reason is adverse action (unless the creditor makes a counteroffer that is accepted by the applicant) and the applicant is entitled to notification under §1002.9.

2(e) Applicant.

1. Request to assume loan. If a mortgagor sells or transfers mortgaged property and the buyer makes an application to the creditor to assume the mortgage loan, the mortgagee must treat the buyer as an applicant unless its policy is not to permit assumptions.

2(f) Application.

1. General. A creditor has the latitude under the regulation to establish its own application process and to decide the type and amount of information it will require from credit applicants.

2. Procedures used. The term "procedures" refers to the actual practices followed by a creditor for making credit decisions as well as its stated application procedures. For example, if a creditor's stated policy is to require all applications to be in writing on the creditor's application form, but the creditor also makes credit decisions based on oral requests, the creditor's procedures are to accept both oral and written applications.

3. When an inquiry or prequalification request becomes an application. A creditor is encouraged to provide consumers with information about loan terms. However, if in giving information to the consumer the creditor also evaluates information about the consumer,
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decides to decline the request, and communicates this to the consumer, the creditor has treated the inquiry or prequalification request as an application and must then comply with the notification requirements under §1002.9. Whether the inquiry or prequalification request becomes an application depends on how the creditor responds to the consumer’s request. (See comment 9(a)(1)–3, which discusses the creditor’s policy in responding.)

The following examples illustrate situations in which only an inquiry has taken place:

1. A consumer asks a financial institution to “preapprove” her for a loan (for example, to finance a house or a vehicle she plans to buy) and the institution responds by describing its general lending policies, without telling the consumer whether she qualifies for the loan.

2. A consumer asks about interest rates for car loans, and, in order to quote the appropriate rate, the loan officer asks for the make and sales price of the car and the amount of the downpayment, then gives the consumer the rate.

3. A consumer asks about terms for a loan to purchase a home and tells the loan officer her income and intended downpayment, but the loan officer only explains the creditor’s loan-to-value ratio policy and other basic lending policies, without telling the consumer whether she qualifies for the loan.

4. A consumer asks about terms for a loan to purchase vacant land and states his income and the sales price of the property to be financed, and asks whether he qualifies for a loan; the employee responds by describing the general lending policies, explaining that he would need to look at all of the consumer’s qualifications before making a decision, and offering to send an application form to the consumer.

5. Examples of an application. An application for credit includes the following situations:

   i. A person asks a financial institution to “preapprove” her for a loan (for example, to finance a house or a vehicle she plans to buy) and the institution reviews the request under a program in which the institution, after a comprehensive analysis of her creditworthiness, issues a written commitment valid for a designated period of time to extend a loan up to a specified amount. The written commitment may not be subject to conditions other than conditions that require the identification of adequate collateral, conditions that require no material change in the applicant’s financial condition or creditworthiness prior to funding the loan, and limited conditions that are not related to the financial condition or creditworthiness of the applicant that the lender ordinarily attaches to a traditional application (such as certification of a clear termite inspection for a home purchase loan, or a maximum mileage requirement for a used car loan). But if the creditor’s program does not provide for giving written commitments, requests for preapprovals are treated as prequalification requests for purposes of the regulation.

   ii. Under the same facts as above, the financial institution evaluates the person’s creditworthiness and determines that she does not qualify for a preapproval.

   6. Completed application—diligence requirement. The regulation defines a completed application in terms that give a creditor the latitude to establish its own information requirements. Nevertheless, the creditor must act with reasonable diligence to collect information needed to complete the application.

   a. For example, the creditor should request information from third parties, such as a credit report, promptly after receiving the application. If additional information is needed from the applicant, such as an address or a telephone number to verify employment, the creditor should contact the applicant promptly. (But see comment 9(a)(1)–3, which discusses the creditor’s option to deny an application on the basis of incompleteness.)

   b. Business credit. 2(g) Business credit.

      1. Definition. The test for deciding whether a transaction qualifies as business credit is one of primary purpose. For example, an open-end credit account used for both personal and business purposes is not business credit unless the primary purpose of the account is business-related. A creditor may rely on an applicant’s statement of the purpose for the credit requested.

      2(i) Creditor.

      a. Assignees. The term creditor includes all persons participating in the credit decision. This may include an assignee or a potential purchaser of the obligation who influences the credit decision by indicating whether or not it will purchase the obligation if the transaction is consummated.

      2. Referrals to creditors. For certain purposes, the term creditor includes persons such as real estate brokers, automobile dealers, home builders, and home-improvement contractors who do not participate in credit decisions but who only accept applications and refer applicants to creditors, or select or offer to select creditors to whom credit requests can be made. These persons must
comply with §1002.4(a), the general rule prohibiting discrimination, and with §1002.4(b), the general rule against discouraging applications.

2. Empirically derived and other credit scoring systems.

1. Purpose of definition. The definition under §§1002.2(p)(1)(i) through (iv) sets the criteria that a credit system must meet in order to use age as a predictive factor. Credit systems that do not meet these criteria are judgmental systems and may consider age only for the purpose of determining a “pertinent element of creditworthiness.” (Both types of systems may favor an elderly applicant. See §1002.6(b)(2).)

2. Periodic revalidation. The regulation does not specify how often credit scoring systems must be revalidated. The credit scoring system must be revalidated frequently enough to ensure that it continues to meet recognized professional statistical standards for statistical soundness. To ensure that predictive ability is being maintained, the creditor must periodically review the performance of the system. This could be done, for example, by analyzing the loan portfolio to determine the delinquency rate for each score interval, or by analyzing population stability over time to detect deviations of recent applications from the applicant population used to validate the system. If this analysis indicates that the system no longer predicts risk with statistical soundness, the system must be adjusted as necessary to re-establish its predictive ability. A creditor is responsible for ensuring its system is validated and revalidated based on the creditor’s own data.

3. Pooled data scoring systems. A scoring system or the data from which to develop such a system may be obtained from either a single credit grantor or multiple credit grantors. The resulting system will qualify as an empirically derived, demonstrably and statistically sound, credit scoring system provided the criteria set forth in paragraph (p)(1)(i) through (iv) of this section are met. A creditor is responsible for ensuring its system is validated and revalidated based on the creditor’s own data when it becomes available.

4. Effects test and disparate treatment. An empirically derived, demonstrably and statistically sound, credit scoring system may include age as a predictive factor (provided that the age of an elderly applicant is not assigned a negative factor or value). Besides age, no other prohibited basis may be used as a variable. Generally, credit scoring systems treat all applicants objectively and thus avoid problems of disparate treatment. In cases where a credit scoring system is used in conjunction with individual discretion, disparate treatment could conceivably occur in the evaluation process. In addition, neutral factors used in credit scoring systems could nonetheless be subject to challenge under the effects test. (See comment 6(a)–2 for a discussion of the effects test).

2(u) Open-end credit.

1. Open-end real estate mortgages. The term “open-end credit” does not include negotiated advances under an open-end real estate mortgage or a letter of credit.

2(a) Prohibited basis.

1. Persons associated with applicant. As used in this part, prohibited basis refers not only to characteristics—the race, color, religion, national origin, sex, marital status, or age—of an applicant (or officers of an applicant in the case of a corporation) but also to the characteristics of individuals with whom an applicant is affiliated or with whom the applicant associates. This means, for example, that under the general rule stated in §1002.4(a), a creditor may not discriminate against an applicant because of that person’s personal or business dealings with members of a certain religion, because of the national origin of any persons associated with the extension of credit (such as the tenants in the apartment complex being financed), or because of the race of other residents in the neighborhood where the property offered as collateral is located.

2. National origin. A creditor may not refuse to grant credit because an applicant comes from a particular country but may take the applicant’s immigration status into account. A creditor may also take into account any applicable law, regulation, or executive order restricting dealings with citizens (or the government) of a particular country or imposing limitations regarding credit extended for their use.

3. Public assistance program. Any Federal, state, or local governmental assistance program that provides a continuing, periodic income supplement, whether premised on entitlement or need, is “public assistance” for purposes of the regulation. The term includes (but is not limited to) Temporary Aid to Needy Families, food stamps, rent and mortgage supplement or assistance programs, social security and supplemental security income, and unemployment compensation. Only physicians, hospitals, and others to whom the benefits are payable need consider Medicare and Medicaid as public assistance.

Section 1002.3—Limited Exceptions for Certain Classes of Transactions

1. Scope. Under this section, procedural requirements of the regulation do not apply to certain types of credit. All classes of transactions remain subject to §1002.4(a), the general rule barring discrimination on a prohibited basis, and to any other provision not specifically excepted.

3(a) Public-utilities credit.

1. Definition. This definition applies only to credit for the purchase of a utility service,
such as electricity, gas, or telephone service. Credit provided or offered by a public utility for some other purpose—such as for financing the purchase of a gas dryer, telephone equipment, or household goods, for insulation or other home improvements—is not excepted.

2. Security deposits. A utility company is a creditor when it supplies utility service and bills the user after the service has been provided. Thus, any credit term (such as a requirement for a security deposit) is subject to the regulation’s bar against discrimination on a prohibited basis.

3. Telephone companies. A telephone company’s credit transactions qualify for the exceptions provided in §1002.3(a)(2) only if the company is regulated by a government unit or files the charges for service, delayed payment, or any discount for prompt payment with a government unit.

3(c) Incidental credit.
1. Examples. If a service provider (such as a hospital, doctor, lawyer, or merchant) allows the client or customer to defer the payment of a bill, this deferral of debt is credit for purposes of the regulation, even though there is no finance charge and no agreement for payment in installments. Because of the exceptions provided by this section, however, these particular credit extensions are excepted from compliance with certain procedural requirements as specified in §1002.3(c).

3(d) Government credit.
1. Credit to governments. The exception relates to credit extended to (not by) governmental entities. For example, credit extended to a local government is covered by this exception, but credit extended to consumers by a Federal or state housing agency does not qualify for special treatment under this category.

Section 1002.4—General Rules

Paragraph 4(a).
1. Scope of rule. The general rule stated in §1002.4(a) covers all dealings, without exception, between an applicant and a creditor, whether or not addressed by other provisions of the regulation. Other provisions of the regulation identify specific practices that the Bureau has decided are impermissible because they could result in credit discrimination on a basis prohibited by the Act. The general rule covers, for example, application procedures, criteria used to evaluate creditworthiness, administration of accounts, and treatment of delinquent or slow accounts. Thus, whether or not specifically prohibited elsewhere in the regulation, a credit practice that treats applicants differently on a prohibited basis violates the law because it violates the general rule. Disparate treatment on a prohibited basis is illegal whether or not it results from a conscious intent to discriminate.

2. Examples.

1. Disparate treatment would exist, for example, in the following situations:
   A. A creditor provides information only on “subprime” and similar products to minority applicants who request information about the creditor’s mortgage products, but provides information on a wider variety of mortgage products to similarly situated nonminority applicants.
   B. A creditor provides more comprehensive information to men than to similarly situated women.
   C. A creditor requires a minority applicant to provide greater documentation to obtain a loan than a similarly situated nonminority applicant.
   D. A creditor waives or relaxes credit standards for a nonminority applicant but not for a similarly situated minority applicant.

ii. Treating applicants differently on a prohibited basis is unlawful if the creditor lacks a legitimate nondiscriminatory reason for its action, or if the asserted reason is found to be a pretext for discrimination.

Paragraph 4(b).
1. Prospective applicants. Generally, the regulation’s protections apply only to persons who have requested or received an extension of credit. In keeping with the purpose of the Act—to promote the availability of credit on a nondiscriminatory basis—§1002.4(b) covers acts or practices directed at prospective applicants that could discourage a reasonable person, on a prohibited basis, from applying for credit. Practices prohibited by this section include:
   i. A statement that the applicant should not bother to apply, after the applicant states that he is retired.
   ii. The use of words, symbols, models or other forms of communication in advertising that express, imply, or suggest a discriminatory preference or a policy of exclusion in violation of the Act.
   iii. The use of interview scripts that discourage applications on a prohibited basis.

2. Affirmative advertising. A creditor may affirmatively solicit or encourage members of traditionally disadvantaged groups to apply for credit, especially groups that might not normally seek credit from that creditor.

Paragraph 4(c).
1. Requirement for written applications. Model application forms are provided in appendix B to the regulation, although use of a printed form is not required. A creditor will satisfy the requirement by writing down the information that it normally considers in making a credit decision. The creditor may complete an application on behalf of an applicant and need not require the applicant to sign the application.

2. Telephone applications. A creditor that accepts applications by telephone for dwelling-related credit covered by §1002.13 can
meet the requirement for written applications by writing down pertinent information that is provided by the applicant.

3. Computerized entry. Information entered directly into and retained by a computerized system qualifies as a written application under this paragraph. (See the commentary to §1002.13(b), Applications through electronic media and Applications through video.)

Paragraph 4(d).

1. Clear and conspicuous. This standard requires that disclosures be presented in a reasonably understandable format in a way that does not obscure the required information. No minimum type size is mandated, but the disclosures must be legible, whether typed, handwritten, or printed by computer.

2. Form of disclosures. Whether the disclosures required to be on or with an application must be in electronic form depends upon the following:

i. If an applicant accesses a credit application electronically (other than as described under ii below), such as online at a home computer, the creditor must provide the disclosures in electronic form (such as with the application form on its Web site) in order to meet the requirement to provide disclosures in a timely manner on or with the application. If the creditor instead mailed paper disclosures to the applicant, this requirement would not be met.

ii. In contrast, if an applicant is physically present in the creditor’s office, and accesses a credit application electronically, such as via a terminal or kiosk (or if the applicant uses a terminal or kiosk located on the premises of an affiliate or third party that has arranged with the creditor to provide applications to consumers), the creditor may provide disclosures in either electronic or paper form, provided the creditor complies with the timing, delivery, and retainability requirements of the regulation.

Section 1002.6—Rules Concerning Evaluation of Information

5(a) General rules.
Paragraph 5(a)(1).

1. Requests for information. This section governs the types of information that a creditor may gather. Section 1002.6 governs how information may be used.

Paragraph 5(a)(2).

1. Local laws. Information that a creditor is allowed to collect pursuant to a “state” statute or regulation includes information required by a local statute, regulation, or ordinance.

2. Information required by Regulation C. Regulation C generally requires creditors covered by the Home Mortgage Disclosure Act (HMDA) to collect and report information about the race, ethnicity, and sex of applicants for home-improvement loans and home-purchase loans, including some types of loans not covered by §1002.13.

3. Collecting information on behalf of creditors. Persons such as loan brokers and correspondents do not violate the ECOA or Regulation B if they collect information that they are otherwise prohibited from collecting, where the purpose of collecting the information is to provide it to a creditor that is subject to the Home Mortgage Disclosure Act or another Federal or state statute or regulation requiring data collection.

5(d) Other limitations on information requests.

Paragraph 5(d)(1).

1. Indirect disclosure of prohibited information. The fact that certain credit-related information may indirectly disclose marital status does not bar a creditor from seeking such information. For example, the creditor may ask about:

i. The applicant’s obligation to pay alimony, child support, or separate maintenance income.

ii. The source of income to be used as the basis for repaying the credit requested, which could disclose that it is the income of a spouse.

iii. Whether any obligation disclosed by the applicant has a co-obligor, which could disclose that the co-obligor is a spouse or former spouse.

iv. The ownership of assets, which could disclose the interest of a spouse.

Paragraph 5(d)(2).

1. Disclosure about income. The sample application forms in appendix B to the regulation illustrate how a creditor may inform an applicant of the right not to disclose alimony, child support, or separate maintenance income.

2. General inquiry about source of income. Since a general inquiry about the source of income may lead an applicant to disclose alimony, child support, or separate maintenance income, a creditor making such an inquiry on an application form should prejudice the request with the disclosure required by this paragraph.

3. Specific inquiry about sources of income. A creditor need not give the disclosure if the inquiry about income is specific and worded in a way that is unlikely to lead the applicant to disclose the fact that income is derived from alimony, child support, or separate maintenance payments. For example, an application form that asks about specific types of income such as salary, wages, or investment income need not include the disclosure.

Section 1002.6—Rules Concerning Evaluation of Applications

6(a) General rule concerning use of information.

1. General. When evaluating an application for credit, a creditor generally may consider
any information obtained. However, a creditor may not consider in its evaluation of creditworthiness any information that it is barred by §1002.5 from obtaining or from using for any purpose other than to conduct a self-test under §1002.15.

2. Effects test. The effects test is a judicial doctrine that was developed in a series of employment cases decided by the U.S. Supreme Court under title VII of the Civil Rights Act of 1964 (42 U.S.C. 2000e et seq.) and the burdens of proof for such employment cases were codified by Congress in the Civil Rights Act of 1991 (42 U.S.C. 2000e–2). Congressional intent that this doctrine apply to the credit area is documented in the Senate Report that accompanied H.R. 6516, No. 94–589, pp. 4–5; and in the House Report that accompanied H.R. 6516, No. 94–210, p.3. The Act and regulation may prohibit a creditor practice that is discriminatory in effect because it has a disproportionately negative impact on a prohibited basis, even though the creditor has no intent to discriminate and the practice appears neutral on its face, unless the creditor practice meets a legitimate business need that cannot reasonably be achieved as well by means that are less disparate in their impact. For example, requiring that applicants have income in excess of a certain amount to qualify for an overdraft line of credit could mean that women and minority applicants will be rejected at a higher rate than men and nonminority applicants. If there is a demonstrable relationship between the income requirement and creditworthiness for the level of credit involved, however, use of the income standard would likely be permissible.

6(b) Specific rules concerning use of information.

Paragraph 6(b)(1).

1. Prohibited basis—special purpose credit. In a special purpose credit program, a creditor may consider a prohibited basis to determine whether the applicant possesses a characteristic needed for eligibility. (See §1002.8.)

Paragraph 6(b)(2).

1. Favoring the elderly. Any system of evaluating creditworthiness may favor a credit applicant who is age 62 or older. A credit program that offers more favorable credit terms to applicants age 62 or older is also permissible; a program that offers more favorable credit terms to applicants at an age lower than 62 is permissible only if it meets the special-purpose credit requirements of §1002.8.

2. Consideration of age in a credit scoring system. Age may be taken directly into account in a credit scoring system that is “demonstrably and statistically sound,” as defined in §1002.2(b), with one limitation: Applicants age 62 years or older must be treated at least as favorably as applicants who are under age 62. If age is scored by assigning points to an applicant’s age category, elderly applicants must receive the same or a greater number of points as the most favored class of nonelderly applicants.

1. Age-split scorecards. Some credit systems segment the population and use different scorecards based on the age of an applicant. In such a system, one card may cover a narrow age range (for example, applicants in their twenties or younger) and another card group may cover all other applicants, who are evaluated under the attributes predictive for that age group. A second card may cover all other applicants, who are evaluated under the attributes predictive for that broader class. When a system uses a card covering a wide age range that encompasses elderly applicants, the credit scoring system is not deemed to score age. Thus, the system does not raise the issue of assigning a negative factor or value to the age of elderly applicants. But if a system segments the population by age into multiple scorecards, and includes elderly applicants in a narrower age range, the credit scoring system does score age. To comply with the Act and regulation in such a case, the creditor must ensure that the system does not assign a negative factor or value to the age of elderly applicants as class.

3. Consideration of age in a judgmental system. In a judgmental system, defined in §1002.2(t), a creditor may not decide whether to extend credit or set the terms and conditions of credit based on age or information related exclusively to age. Age or age-related information may be considered only in evaluating other “pertinent elements of creditworthiness” that are drawn from the particular facts and circumstances concerning the applicant. For example, a creditor may not reject an application or terminate an account because the applicant is 60 years old. But a creditor that uses a judgmental system may relate the applicant’s age to other information about the applicant that the creditor considers in evaluating creditworthiness. As the following examples illustrate, the evaluation must be made in an individualized, case-by-case manner:

i. A creditor may consider the applicant’s occupation and length of time to retirement to ascertain whether the applicant’s income (including retirement income) will support the extension of credit to its maturity.

ii. A creditor may consider the adequacy of any security offered when the term of the credit extension exceeds the life expectancy of the applicant and the cost of realizing on the collateral could exceed the applicant’s equity. An elderly applicant might not qualify for a 5 percent down, 30-year mortgage loan but might qualify with a larger downpayment or a shorter loan maturity.

iii. A creditor may consider the applicant’s age to assess the significance of length of employment (a young applicant may have just entered the job market) or length of time at an address (an elderly applicant may
recently have retired and moved from a long-term residence).

4. Consideration of age in a reverse mortgage. A reverse mortgage is a home-secured loan in which the borrower receives payments from the creditor, and does not become obligated to repay these amounts (other than in the case of default) until the borrower dies, moves permanently from the home, or transfers title to the home, or upon a specified maturity date. Disbursements to the borrower under a reverse mortgage typically are determined by considering the value of the borrower’s home, the current interest rate, and the borrower’s life expectancy. A reverse mortgage program that requires borrowers to be age 62 or older is permissible under §1002.6(b)(2)(iv). In addition, under §1002.6(b)(2)(iii), a creditor may consider a borrower’s age to evaluate a pertinent element of creditworthiness, such as the amount of the credit or monthly payments that the borrower will receive, or the estimated repayment date.

5. Consideration of age in a combined system. A creditor using a credit scoring system that qualifies as “empirically derived” under §1002.2(p) may consider other factors (such as a credit report or the applicant’s cash flow) on a judgmental basis. Doing so will not negate the classification of the credit scoring component of the combined system as “demonstrably and statistically sound.” While age could be used in the credit scoring portion, however, in the judgmental portion age may not be considered directly. It may be used only for the purpose of determining a “pertinent element of creditworthiness.” (See comment 6(b)(2)-3.)

6. Consideration of public assistance. When considering income derived from a public assistance program, a creditor may take into account the applicant’s actual circumstances. For example:

i. The length of time an applicant will likely remain eligible to receive such income.

ii. Whether the applicant will continue to qualify for benefits based on the status of the applicant’s dependents (as in the case of Temporary Aid to Needy Families, or social security payments to a minor).

iii. Whether the creditor can attach or garnish the income to assure payment of the debt in the event of default.

Paragraph 6(b)(5).

1. Consideration of an individual applicant. A creditor must evaluate income derived from part-time employment, alimony, child support, separate maintenance, public assistance on an individual basis, not on the basis of aggregates statistics, and must assess its reliability or unreliability by analyzing the applicant’s actual circumstances, not by analyzing statistical measures derived from a group.

2. Payments consistently made. In determining the likelihood of consistent payments of alimony, child support, or separate maintenance, a creditor may consider factors such as whether payments are received pursuant to a written agreement or court decree; the length of time that the payments have been received; whether the payments are regularly received by the applicant; the availability of court or other procedures to compel payment; and the creditworthiness of the payor, including the credit history of the payor when it is available to the creditor.

3. Consideration of income. A creditor need not consider income at all in evaluating creditworthiness. If a creditor does consider income, there are several acceptable methods, whether in a credit scoring or a judgmental system:

A. A creditor may score or take into account the total sum of all income stated by the applicant without taking steps to evaluate the income for reliability.

B. A creditor may evaluate each component of the applicant’s income, and then score or take into account income determined to be reliable separately from other income; or the creditor may disregard that portion of income that is not reliable when it aggregates reliable income.

C. A creditor that does not evaluate all income components for reliability must treat as reliable any component of protected income that is not evaluated.

ii. In considering the separate components of an applicant’s income, a creditor may not automatically discount or exclude from consideration any protected income. Any discounting or exclusion must be based on the applicant’s actual circumstances.

4. Part-time employment, sources of income. A creditor may score or take into account the fact that an applicant has more than one source of earned income—a full-time and a part-time job or two part-time jobs. A creditor may also score or treat earned income from a secondary source differently than earned income from a primary source. The creditor may not, however, score or otherwise take into account the number of sources for income such as retirement income, social security, supplemental security income, and alimony. Nor may the creditor treat negatively the fact that an applicant’s only earned income is derived from, for example, a part-time job.

Paragraph 6(b)(6).

1. Types of credit references. A creditor may restrict the types of credit history and credit references that it will consider, provided that the restrictions are applied to all credit applicants without regard to sex, marital status, or any other prohibited basis. On the applicant’s request, however, a creditor must consider credit information not reported.
through a credit bureau when the information relates to the same types of credit references and history that the creditor would consider if reported through a credit bureau.

Paragraph 6(b)(7).
1. National origin—immigration status. The applicant’s immigration status and ties to the community (such as employment and continued residence in the area) could have a bearing on a creditor’s ability to obtain repayment. Accordingly, the creditor may consider immigration status and differentiate, for example, between a noncitizen who is a long-time resident with permanent resident status and a noncitizen who is temporarily in this country on a student visa.

2. National origin—citizenship. A denial of credit on the ground that an applicant is not a United States citizen is not per se discrimination based on national origin.

Paragraph 6(b)(8).
1. Prohibited basis—marital status. A creditor may consider the marital status of an applicant or joint applicant for the purpose of ascertaining the creditor’s rights and remedies applicable to the particular extension of credit. For example, in a secured transaction involving real property, a creditor could take into account whether state law gives the applicant’s spouse an interest in the property being offered as collateral.

Section 1002.7—Rules Concerning Extensions of Credit

7(a) Individual accounts.
1. Open-end credit—authorized user. A creditor may not require a creditworthy applicant seeking an individual credit account to provide additional signatures. But the creditor may condition the designation of an authorized user by the account holder on the authorized user’s becoming contractually liable for the account, as long as the creditor does not differentiate on any prohibited basis in imposing this requirement.

2. Open-end credit—choice of authorized user. A creditor that permits an account holder to designate an authorized user may not restrict this designation on a prohibited basis. For example, if the creditor allows the designation of spouses as authorized users, the creditor may not refuse to accept a non-spouse as an authorized user.

3. Overdraft authority on transaction accounts. If a transaction account (such as a checking account or NOW account) includes an overdraft line of credit, the creditor may require that all persons authorized to draw on the transaction account assume liability for any overdraft.

7(b) Designation of name.
1. Single name on account. A creditor may require that joint applicants on an account designate a single name for purposes of administering the account and that a single name be embossed on any credit cards issued on the account. But the creditor may not require that the name be the husband’s name. (See §1002.10 for rules governing the furnishing of credit history on accounts held by spouses.)

7(c) Action concerning existing open-end accounts.

Paragraph 7(c)(1).
1. Termination coincidental with marital status change. When an account holder’s marital status changes, a creditor generally may not terminate the account unless it has evidence that the account holder is now unable or unwilling to repay. But the creditor may terminate an account on which both spouses are jointly liable, even if the action coincides with a change in marital status, when one or both spouses:

i. Repudiate responsibility for future charges on the joint account.

ii. Request separate accounts in their own names.

iii. Request that the joint account be closed.

2. Updating information. A creditor may periodically request updated information from applicants but may not use events related to a prohibited basis—such as an applicant’s retirement or reaching a particular age, or a change in name or marital status—to trigger such a request.

Paragraph 7(c)(2).
1. Procedure pending reapplication. A creditor may require a reapplication from an account holder, even when there is no evidence of unwillingness or inability to repay, if (1) the credit was based on the qualifications of a person who is no longer available to support the credit and (2) the creditor has information indicating that the account holder’s income may be insufficient to support the credit. While a reapplication is pending, the creditor must allow the account holder full access to the account under the existing contract terms. The creditor may specify a reasonable time period within which the account holder must submit the required information.

7(d) Signature of spouse or other person.

1. Qualified applicant. The signature rules ensure that qualified applicants are able to obtain credit in their own names. Thus, when an applicant requests individual credit, a creditor generally may not require the signature of another person unless the creditor has first determined that the applicant alone does not qualify for the credit requested.

2. Unqualified applicant. When an applicant requests individual credit but does not meet a creditor’s standards, the creditor may require a cosigner, guarantor, endorser, or similar party—but cannot require that it be the spouse. (See commentary to §§1002.7(d)(5) and (6).)
1. Signature of another person. It is impermissible for a creditor to require an applicant who is individually creditworthy to provide a co-signer—even if the creditor applies the same standards without regard to sex, marital status, or any other prohibited basis. (But see comment 7(d)(6)–1 concerning guarantors of closely held corporations.)

2. Joint applicant. The term “joint applicant” refers to someone who applies contemporaneously with the applicant for shared or joint credit. It does not refer to someone whose signature is required by the creditor as a condition for granting the credit requested.

3. Evidence of joint application. A person’s intent to be a joint applicant must be evidenced at the time of application. Signatures on a promissory note may not be used to show intent to apply for joint credit. On the other hand, signatures or initials on a credit application affirming applicants’ intent to apply for joint credit may be used to establish intent to apply for joint credit. (See appendix B.) The method used to establish intent must be distinct from the means used by individuals to affirm the accuracy of information. For example, signatures on a joint financial statement affirming the veracity of information are not sufficient to establish intent to apply for joint credit.

Paragraph 7(d)(2).

1. Jointly owned property. If an applicant requests unsecured credit, does not own sufficient separate property, and relies on jointly owned property to establish creditworthiness, the creditor must value the applicant’s interest in the jointly owned property. A creditor may not request that a nonapplicant joint owner sign any instrument as a condition of the extension of credit. For example:

a. If the application is for a promissory note, the creditor may not require the spouse to sign the note and the security agreement, the amount of the credit, or the security agreement. A creditor’s reasonable belief as to what instruments need to be signed by a person other than the applicant should be supported by a thorough review of pertinent statutory and decisional law or an opinion of the state attorney general.

Paragraph 7(d)(4).

i. Creation of enforceable lien. Some state laws require that both spouses join in executing any instrument by which real property is encumbered. If an applicant offers such property as security for credit, a creditor may require the applicant’s spouse to sign the instruments necessary to create a valid security interest in the property. The creditor may not require the spouse to sign the note evidencing the credit obligation if signing only the mortgage or other security agreement is sufficient to satisfy the debt in the event of default. However, if under state law both spouses must sign the note to create an enforceable lien, the creditor may require the signatures.

ii. Other options to support credit. If the applicant’s interest in jointly owned property does not support the amount and terms of credit sought, the creditor may offer the applicant other options to quality for the extension of credit. For example:

A. Providing a co-signer or other party (§1002.7(d)(5));

B. Requesting that the credit be granted on a secured basis (§1002.7(d)(4)); or

C. Providing the signature of the joint owner on an instrument that ensures access to the property in the event of the applicant’s death or default, but does not impose personal liability unless necessary under state law (such as a limited guarantee). A creditor may not routinely require, however, that a joint owner sign an instrument (such as a quitclaim deed) that would result in the forfeiture of the joint owner’s interest in the property.

2. Need for signature—reasonable belief. A creditor’s reasonable belief as to what instruments need to be signed by a person other than the applicant should be supported by a thorough review of pertinent statutory and decisional law or an opinion of the state attorney general.

Paragraph 7(d)(3).

1. Residency. In assessing the creditworthiness of a person who applies for credit in a community property state, a creditor may assume that the applicant is a resident of the state unless the applicant indicates otherwise.

Paragraph 7(d)(2).

i. Other options to support credit. If the applicant’s interest in jointly owned property does not support the amount and terms of credit sought, the creditor may offer the applicant other options to quality for the extension of credit. For example:

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2. Joint applicant. The term “joint applicant” refers to someone who applies contemporaneously with the applicant for shared or joint credit. It does not refer to someone whose signature is required by the creditor as a condition for granting the credit requested.

3. Evidence of joint application. A person’s intent to be a joint applicant must be evidenced at the time of application. Signatures on a promissory note may not be used to show intent to apply for joint credit. On the other hand, signatures or initials on a credit application affirming applicants’ intent to apply for joint credit may be used to establish intent to apply for joint credit. (See appendix B.) The method used to establish intent must be distinct from the means used by individuals to affirm the accuracy of information. For example, signatures on a joint financial statement affirming the veracity of information are not sufficient to establish intent to apply for joint credit.

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a. If the application is for a promissory note, the creditor may not require the spouse to sign the note and the security agreement, the amount of the credit, or the security agreement. A creditor’s reasonable belief as to what instruments need to be signed by a person other than the applicant should be supported by a thorough review of pertinent statutory and decisional law or an opinion of the state attorney general.

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ii. Other options to support credit. If the applicant’s interest in jointly owned property does not support the amount and terms of credit sought, the creditor may offer the applicant other options to quality for the extension of credit. For example:

A. Providing a co-signer or other party (§1002.7(d)(5));

B. Requesting that the credit be granted on a secured basis (§1002.7(d)(4)); or

C. Providing the signature of the joint owner on an instrument that ensures access to the property in the event of the applicant’s death or default, but does not impose personal liability unless necessary under state law (such as a limited guarantee). A creditor may not routinely require, however, that a joint owner sign an instrument (such as a quitclaim deed) that would result in the forfeiture of the joint owner’s interest in the property.

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1. Signature of another person. It is impermissible for a creditor to require an applicant who is individually creditworthy to provide a co-signer—even if the creditor applies the same standards without regard to sex, marital status, or any other prohibited basis. (But see comment 7(d)(6)–1 concerning guarantors of closely held corporations.)

2. Joint applicant. The term “joint applicant” refers to someone who applies contemporaneously with the applicant for shared or joint credit. It does not refer to someone whose signature is required by the creditor as a condition for granting the credit requested.

3. Evidence of joint application. A person’s intent to be a joint applicant must be evidenced at the time of application. Signatures on a promissory note may not be used to show intent to apply for joint credit. On the other hand, signatures or initials on a credit application affirming applicants’ intent to apply for joint credit may be used to establish intent to apply for joint credit. (See appendix B.) The method used to establish intent must be distinct from the means used by individuals to affirm the accuracy of information. For example, signatures on a joint financial statement affirming the veracity of information are not sufficient to establish intent to apply for joint credit.

Paragraph 7(d)(2).

1. Jointly owned property. If an applicant requests unsecured credit, does not own sufficient separate property, and relies on jointly owned property to establish creditworthiness, the creditor must value the applicant’s interest in the jointly owned property. A creditor may not request that a nonapplicant joint owner sign any instrument as a condition of the credit extension unless the applicant’s interest does not support the amount and terms of the credit sought.

i. Valuation of applicant’s interest. In determining the value of an applicant’s interest in jointly owned property, a creditor may consider factors such as the form of ownership and the property’s susceptibility to attachment, execution, severance, or partition; the value of the applicant’s interest after such action; and the cost associated with the action. This determination must be based on the existing form of ownership, and not on the possibility of a subsequent change. For example, in determining whether a married applicant’s interest in jointly owned property is sufficient to satisfy the creditor’s standards of creditworthiness for individual credit, a creditor may not consider that the applicant’s separate property could be transferred into tenancy by the entirety after consummation. Similarly, a creditor may not consider the possibility that the couple may divorce. Accordingly, a creditor may not require the signature of the non-applicant spouse in these or similar circumstances.
spouse cannot be asked to sign the integrated instrument if the signature is only needed to grant a security interest. But the spouse could be asked to sign an integrated instrument that makes clear—for example, by a legend placed next to the spouse’s signature—that the spouse’s signature is only to grant a security interest and that signing the instrument does not impose personal liability. Paragraph 7(d)(5).

1. Qualifications of additional parties. In establishing guidelines for eligibility of guarantors, cosigners, or similar additional parties, a creditor may restrict the applicant’s choice of additional parties but may not discriminate on the basis of sex, marital status, or any other prohibited basis. For example, the creditor could require that the additional party live in the creditor’s market area.

2. Reliance on income of another person—individual credit. An applicant who requests individual credit relying on the income of another person (including a spouse in a non-community property state) may be required to provide the signature of the other person to make the income available to pay the debt. In community property states, the signature of a spouse may be required if the applicant relies on the spouse’s separate income. If the applicant relies on the spouse’s future earnings that as a matter of state law cannot be characterized as community property until earned, the creditor may require the spouse’s signature, but need not do so—even if it is the creditor’s practice to require the signature when an applicant relies on the future earnings of a person other than a spouse. (See §1002.6(c) on consideration of state property laws.)

3. Renewals. If the borrower’s creditworthiness is reevaluated when a credit obligation is renewed, the creditor must determine whether an additional party is still warranted and, if not warranted, release the additional party. Paragraph 7(d)(6).

1. Guarantees. A guarantee on an extension of credit is part of a credit transaction and therefore subject to the regulation. A creditor may require the personal guarantee of the partners, directors, or officers of a business, and the shareholders of a closely held corporation, even if the business or corporation is creditworthy. The requirement must be based on the guarantor’s relationship with the business or corporation, however, and not on a prohibited basis. For example, a creditor may not require guarantees only of the married officers of a business or the married shareholders of a closely held corporation.

2. Spousal guarantees. The rules in §1002.7(d) bar a creditor from requiring the signature of a guarantor’s spouse just as they bar the creditor from requiring the signature of an applicant’s spouse. For example, although a creditor may require all officers of a closely held corporation to personally guarantee a corporate loan, the creditor may not automatically require that spouses of married officers also sign the guarantee. If an evaluation of the financial circumstances of an officer indicates that an additional signature is necessary, however, the creditor may require the signature of another person in appropriate circumstances in accordance with §1002.7(d)(2).

7(e) Insurance.

1. Differences in terms. Differences in the availability, rates, and other terms on which credit-related casualty insurance or credit life, health, accident, or disability insurance is offered or provided to an applicant does not violate Regulation B.

2. Insurance information. A creditor may obtain information about an applicant’s age, sex, or marital status for insurance purposes. The information may only be used for determining eligibility and premium rates for insurance, however, and not in making the credit decision.

Section 1002.8—Special Purpose Credit Programs

8(a) Standards for programs.

1. Determining qualified programs. The Bureau does not determine whether individual programs qualify for special purpose credit status, or whether a particular program benefits an “economically disadvantaged class of persons.” The agency or creditor administering or offering the loan program must make these decisions regarding the status of its program.

2. Compliance with a program authorized by Federal or state law. A creditor does not violate Regulation B when it complies in good faith with a regulation promulgated by a government agency implementing a special purpose credit program under §1002.8(a)(1). It is the agency’s responsibility to promulgate a regulation that is consistent with Federal and state law.

3. Expressly authorized. Credit programs authorized by Federal or state law include programs offered pursuant to Federal, state, or local statute, regulation or ordinance, or pursuant to judicial or administrative order.

4. Creditor liability. A refusal to grant credit to an applicant is not a violation of the Act or regulation if the applicant does not meet the eligibility requirements under a special purpose credit program.

5. Determining need. In designing a special purpose credit program under §1002.8(a), a for-profit organization must determine that the program will benefit a class of people who would otherwise be denied credit or would receive it on less favorable terms. This determination can be based on a broad analysis using the organization’s own research or
data from outside sources, including governmental reports and studies. For example, a creditor might design new products to reach consumers who would not meet, or have not met, its traditional standards of creditworthiness due to such factors as credit inexperience or the use of credit sources that may not report to consumer reporting agencies. Or, a bank could review Home Mortgage Disclosure Act data along with demographic data for its assessment area and conclude that there is a need for a special purpose credit program for low-income minority borrowers.

6. Elements of the program. The written plan must contain information that supports the need for the particular program. The plan also must either state a specific period of time for which the program will last, or contain a statement regarding when the program will be reevaluated to determine if there is a continuing need for it.

8(b) Rules in other sections.
1. Applicability of rules. A creditor that rejects an application because the applicant does not meet the eligibility requirements (common characteristic or financial need, for example) must nevertheless notify the applicant of action taken as required by §1002.9.

8(c) Special rule concerning requests and use of information.
1. Request of prohibited basis information. This section permits a creditor to request and consider certain information that would otherwise be prohibited by §§1002.5 and 1002.6 to determine an applicant's eligibility for a particular program.

2. Examples. Examples of programs under which the creditor can ask for and consider information about a prohibited basis are:
   i. Energy conservation programs to assist the elderly, for which the creditor must consider the applicant's age.
   ii. Programs under a Minority Enterprise Small Business Investment Corporation, for which a creditor must consider the applicant's minority status.

8(d) Special rule in the case of financial need.
1. Request of prohibited basis information.
   This section permits a creditor to request and consider certain information that would otherwise be prohibited by §§1002.5 and 1002.6, and to require signatures that would otherwise be prohibited by §1002.7(d).

2. Examples. Examples of programs in which financial need is a criterion are:
   i. Subsidized housing programs for low-to moderate-income households, for which a creditor may have to consider the applicant's receipt of alimony or child support, the spouse's or parents' income, etc.
   ii. Student loan programs based on the family's financial need, for which a creditor may have to consider the spouse's or parents' financial resources.

3. Student loans. In a guaranteed student loan program, a creditor may obtain the signature of a parent as a guarantor when required by Federal or state law or agency regulation, or when the student does not meet one of the creditor's standards of creditworthiness. (See §§1002.7(d)(1) and (5)). The creditor may not require an additional signature when a student has a work or credit history that satisfies the creditor's standards.

Section 1002.9—Notifications
1. Use of the term adverse action. The regulation does not require that a creditor use the term adverse action in communicating to an applicant that a request for an extension of credit has not been approved. In notifying an applicant of adverse action as defined by §1002.2(c)(1), a creditor may use any words or phrases that describe the action taken on the application.

2. Expressly withdrawn applications. When an applicant expressly withdraws a credit application, the creditor is not required to comply with the notification requirements under §1002.9. (The creditor must comply, however, with the record retention requirements of the regulation. See §1002.12(b)(3).)

3. When notification occurs. Notification occurs when a creditor delivers or mails a notice to the applicant's last known address or, in the case of an oral notification, when the creditor communicates the credit decision to the applicant.

4. Location of notice. The notifications required under §1002.9 may appear on either or both sides of a form or letter.

5. Prequalification requests. Whether a creditor must provide a notice of action taken for a prequalification request depends on the creditor's response to the request, as discussed in comment 2(f)-3. For instance, a creditor may treat the request as an inquiry if the creditor evaluates specific information about the consumer and tells the consumer the loan amount, rate, and other terms of credit the consumer could qualify for under various loan programs, explaining the process the consumer must follow to submit a mortgage application and the information the creditor will analyze in reaching a credit decision. On the other hand, a creditor has treated a request as an application, and is subject to the adverse action notice requirements of §1002.9 if, after evaluating information, the creditor decides that it will not approve the request and communicates that decision to the consumer. For example, if the creditor tells the consumer that it would not approve an application for a mortgage because of a bankruptcy in the consumer's record, the creditor has denied an application for credit.

9(a) Notification of action taken. ECOA notice, and statement of specific reasons.

Paragraph 9(a)(1).
1. **Timing of notice**—when an application is complete. Once a creditor has obtained all the information it normally considers in making a credit decision, the application is complete and the creditor has 30 days in which to notify the applicant of the credit decision. (See also comment 2(f)-6.)

2. **Notification of approval.** Notification of approval may be express or by implication. For example, the creditor will satisfy the notification requirement when it gives the applicant the credit card, money, property, or services requested.

3. **Incomplete application—denial for incompleteness.** When an application is incomplete regarding information that the applicant can provide and the creditor lacks sufficient data for a credit decision, the creditor may deny the application giving as the reason for denial that the application is incomplete. The creditor has the option, alternatively, of providing a notice of incompleteness under §1002.9(c).

4. **Incomplete application—denial for reasons other than incompleteness.** When an application is missing information but provides sufficient data for a credit decision, the creditor may deny the application accordingly. If credit is denied, the applicant must be given the specific reasons for the credit denial (or notice of the right to receive the reasons); in this instance missing information or “incomplete application” cannot be given as the reason for the denial.

5. **Length of counteroffer.** Section 1002.9(a)(1)(iv) does not require a creditor to hold a counteroffer open for 90 days or any other particular length of time.

6. **Counteroffer combined with adverse action notice.** A creditor that gives the applicant a combined counteroffer and adverse action notice that complies with §1002.9(a)(2) need not send a second adverse action notice if the applicant does not accept the counteroffer. A sample of a combined notice is contained in form C-4 of appendix C to the regulation.

7. **Denial of a telephone application.** When an application is made by telephone and adverse action is taken, the creditor must request the applicant’s name and address in order to provide written notification under this section. If the applicant declines to provide that information, the creditor has no further notification responsibility.

**Paragraph 9(a)(3).**
1. **Coverage.** In determining which rules in this paragraph apply to a given business credit application, a creditor may rely on the applicant’s assertion about the revenue size of the business. (Applications to start a business are governed by the rules in §1002.9(a)(3)(i).) If an applicant applies for credit as a sole proprietor, the revenues of the sole proprietorship will determine which rules govern the application. However, if an applicant applies for business credit as an individual, the rules in §1002.9(a)(3)(i) apply unless the application is for trade or similar credit.

2. **Trade credit.** The term trade credit generally is limited to a financing arrangement that involves a buyer and a seller—such as a supplier who finances the sale of equipment, supplies, or inventory; it does not apply to an extension of credit by a bank or other financial institution for the financing of such items.

3. **Factoring.** Factoring refers to a purchase of accounts receivable, and thus is not subject to the Act or regulation. If there is a credit extension incident to the factoring arrangement, the notification rules in §1002.9(a)(3)(ii) apply, as do other relevant sections of the Act and regulation.

4. **Manner of compliance.** In complying with the notice provisions of the Act and regulation, creditors offering business credit may follow the rules governing consumer credit. Similarly, creditors may elect to treat all business credit the same (irrespective of revenue size) by providing notice in accordance with §1002.9(a)(1).

5. **Timing of notification.** A creditor subject to §1002.9(a)(3)(i)(A) is required to notify a business credit applicant, orally or in writing, of action taken on an application within a reasonable time of receiving a completed application. Notice provided in accordance with the timing requirements of §1002.9(a)(1) is deemed reasonable in all instances.

**Paragraph 9(b)(1).**
1. **Substantially similar notice.** The ECOA notice sent with a notification of a credit denial or other adverse action will comply with the regulation if it is “substantially similar” to the notice contained in §1002.9(b)(1). For example, a creditor may add a reference to the fact that the ECOA permits age to be considered in certain credit scoring systems, or add a reference to a similar state statute or regulation and to a state enforcement agency.

**Paragraph 9(b)(2).**
1. **Number of specific reasons.** A creditor must disclose the principal reasons for denying an application or taking other adverse action. The regulation does not mandate that a specific number of reasons be disclosed, but disclosure of more than four reasons is not likely to be helpful to the applicant.

2. **Source of specific reasons.** The specific reasons disclosed under §1002.9(a)(2) and (b)(2) must relate to and accurately describe the factors actually considered or scored by a creditor.

3. **Description of reasons.** A creditor need not describe how or why a factor adversely
affected an applicant. For example, the notice may say “length of residence” rather than “too short a period of residence.”

4. Credit scoring system. If a creditor bases adverse action on a credit scoring system, the reasons disclosed must relate only to those factors actually scored in the system. Moreover, no factor that was a principal reason for adverse action may be excluded from disclosure. The creditor must disclose the actual reasons for denial (for example, “age of automobile”) even if the relationship of that factor to predicting creditworthiness may not be clear to the applicant.

5. Credit scoring—method for selecting reasons. The regulation does not require that any one method be used for selecting reasons for a credit denial or other adverse action that is based on a credit scoring system. Various methods will meet the requirements of the regulation. One method is to identify the factors for which the applicant’s score fell furthest below the average score for each of those factors achieved by applicants whose total score was at or slightly above the minimum passing score. Another method is to identify the factors for which the applicant’s score fell furthest below the average score for each of those factors achieved by all applicants. These average scores could be calculated during the development or use of the system. Any other method that produces results substantially similar to either of these methods is also acceptable under the regulation.

6. Judgmental system. If a creditor uses a judgmental system, the reasons for the denial or other adverse action must relate to those factors in the applicant’s record actually reviewed by the person making the decision.

7. Combined credit scoring and judgmental system. If a creditor denies an application based on a credit evaluation system that employs both credit scoring and judgmental components, the reasons for the denial must come from the component of the system that the applicant failed. For example, if a creditor initially credit scores an application and denies the credit request as a result of that scoring, the reasons disclosed to the applicant must relate to the factors scored in the system. If the application passes the credit scoring stage but the creditor then denies the credit request based on a judgmental assessment of the applicant’s record, the reasons disclosed must relate to the factors reviewed judgmentally, even if the factors were also considered in the credit scoring component. If the application is not approved or denied as a result of the credit scoring, but falls into a gray band, and the creditor performs a judgmental assessment and denies the credit after that assessment, the reasons disclosed must come from both components of the system. The same result applies where a judgmental assessment is the first component of the combined system.

8. Automatic denial. Some credit decision methods contain features that call for automatic denial because of one or more negative factors in the applicant’s record (such as the applicant’s previous bad credit history with that creditor, the applicant’s declaration of bankruptcy, or the fact that the applicant is a minor). When a creditor denies the credit request because of an automatic-denial factor, the creditor must disclose that specific factor.

9. Combined ECOA–FCRA disclosures. The ECOA requires disclosure of the principal reasons for denying or taking other adverse action on an application for an extension of credit. The Fair Credit Reporting Act (FCRA) requires a creditor to disclose when it has based its decision in whole or in part on information from a source other than the applicant or its own files. Disclosing that a credit report was obtained and used in the denial of the application, as the FCRA requires, does not satisfy the ECOA requirement to disclose specific reasons. For example, if the applicant’s credit history reveals delinquent credit obligations and the application is denied for that reason, to satisfy §1002.9(b)(2) the creditor must disclose that the application was denied because of the applicant’s delinquent credit obligations. The FCRA also requires a creditor to disclose, as applicable, a credit score it used in taking adverse action along with related information, including up to four key factors that adversely affected the consumer’s credit score (or up to five factors if the number of inquiries made with respect to that consumer report is a key factor). Disclosing the key factors that adversely affected the consumer’s credit score does not satisfy the ECOA requirement to disclose specific reasons for denying or taking other adverse action on an application or extension of credit. Sample forms C–1 through C–5 of appendix C of the regulation provide for both the ECOA and FCRA disclosures. See also comment 9(b)(2)–1.

9(c) Incomplete applications.

Paragraph 9(c)(1).

1. Exception for preapprovals. The requirement to provide a notice of incompleteness does not apply to preapprovals that constitute applications under §1002.2(f).

Paragraph 9(c)(2).

1. Reapplication. If information requested by a creditor is submitted by an applicant after the expiration of the time period designated by the creditor, the creditor may require the applicant to make a new application.

Paragraph 9(c)(3).
Section 1002.10—Furnishing of Credit Information

1. Scope. The requirements of §1002.10 for designating and reporting credit information apply only to consumer credit transactions. Moreover, they apply only to creditors that opt to furnish credit information to credit bureaus or to other creditors; there is no requirement that a creditor furnish credit information on its accounts.

2. Reporting on all accounts. The requirements of §1002.10 apply only to accounts held or used by spouses. However, a creditor has the option to designate all joint accounts (or all accounts with an authorized user) to reflect the participation of both parties, whether or not the accounts are held by persons married to each other.

3. Designating accounts. In designating accounts and reporting credit information, a creditor need not distinguish between accounts on which the spouse is an authorized user and accounts on which the spouse is a contractually liable party.

4. File and index systems. The regulation does not require the creation or maintenance of separate files in the name of each participant on a joint or user account, or require any other particular system of record-keeping or indexing. It requires only that a creditor be able to report information in the name of each spouse on accounts covered by §1002.10. Thus, if a creditor receives a credit inquiry about the wife, it should be able to locate her credit file without asking the husband’s name.

10(a) Designation of accounts.

1. New parties. When new parties who are spouses undertake a legal obligation on an account, as in the case of a mortgage loan assumption, the creditor must change the designation on the account to reflect the new parties and must furnish subsequent credit information on the account in the new names.

2. Request to change designation of account. A request to change the manner in which information concerning an account is furnished does not alter the legal liability of either spouse on the account and does not require a creditor to change the name in which the account is maintained.

Section 1002.11—Relation to State Law

11(a) Inconsistent state laws.

1. Preemption determination—New York. The Bureau recognizes state law preemption determinations made by the Board of Governors of the Federal Reserve System prior to July 21, 2011, until and unless the Bureau recognizes state law preemption determinations made by the Board of Governors of the Federal Reserve System prior to July 21, 2011, until and unless the Bureau makes and publishes any contrary determination. The Board of Governors determined that the following provisions in the state law of New York are preempted by the Federal law, effective November 11, 1988:

   i. Article 15, section 296a(1)(b). Unlawful discriminatory practices in relation to credit on the basis of race, creed, color, national origin, age, sex, marital status, or disability. This provision is preempted to the extent that it bars taking a prohibited basis into account when establishing eligibility for certain special-purpose credit programs.

   ii. Article 15, section 296a(1)(c). Unlawful discriminatory practice to make any record or inquiry based on race, creed, color, national origin, age, sex, marital status, or disability. This provision is preempted to the extent that it bars a creditor from requesting and considering information regarding the particular characteristics (for example, race, national origin, or sex) required for eligibility for special-purpose credit programs.

2. Preemption determination—Ohio. The Bureau recognizes state law preemption determinations made by the Board of Governors of the Federal Reserve System prior to July 21, 2011, until and unless the Bureau makes and publishes any contrary determination. The Board of Governors determined that the following provision in the state law of Ohio
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is preempted by the Federal law, effective July 23, 1990:

1. Section 412.22(1)—Unlawful discriminatory practices in credit transactions. This provision is preempted to the extent that it bars asking or favorably considering the age of an elderly applicant; prohibits the consideration of age in a credit scoring system; permits without limitation the consideration of age in real estate transactions; and limits the consideration of age in special-purpose credit programs to certain government-sponsored programs identified in the state law.

Section 1002.12—Record Retention

12(a) Retention of prohibited information. Unless the creditor specifically requested such information, a creditor does not violate this section when it receives prohibited information from a consumer reporting agency.

12(b) Preservation of records.

1. Copies. Copies of the original record include carbon copies, photocopies, microfilm or microfiche copies, or copies produced by any other accurate retrieval system, such as documents stored and reproduced by computer. A creditor that uses a computerized or mechanized system need not keep a paper copy of a document (for example, of an adverse action notice) if it can regenerate all pertinent information in a timely manner for examination or other purposes.

2. Computerized decisions. A creditor that enters information items from a written application into a computerized or mechanized system and makes the credit decision mechanically, based only on the items of information entered into the system, may comply with §1002.12(b) by retaining the information actually entered. It is not required to store the complete written application, nor is it required to enter the remaining items of information into the system. If the transaction is subject to §1002.13, however, the creditor is required to enter and retain the data on personal characteristics in order to comply with the requirements of that section.

Paragraph 12(b)(3).

1. Withdrawn and brokered applications. In most cases, the 25-month retention period for applications runs from the date a notification is sent to the applicant granting or denying the credit requested. In certain transactions, a creditor is not obligated to provide a notice of the action taken. (See, for example, comment 9—2.) In such cases, the 25-month requirement runs from the date of application, as when:

i. An application is withdrawn by the applicant.

ii. An application is submitted to more than one creditor on behalf of the applicant, and the application is approved by one of the other creditors.

12(b)(6) Self-tests.

1. The rule requires all written or recorded information about a self-test to be retained for 25 months after a self-test has been completed. For this purpose, a self-test is completed after the creditor has obtained the results and made a determination about what corrective action, if any, is appropriate. Creditors are required to retain information about the scope of the self-test, the methodology used and time period covered by the self-test, the report or results of the self-test including any analysis or conclusions, and any corrective action taken in response to the self-test.

12(b)(7) Preapplication marketing information.

1. Prescreened credit solicitations. The rule requires creditors to retain copies of prescreened credit solicitations. For purposes of this part, a prescreened solicitation is an “offer of credit” as described in 15 U.S.C. 1681a(i) of the Fair Credit Reporting Act. A creditor complies with this rule if it retains a copy of each solicitation mailing that contains different terms, such as the amount of credit offered, annual percentage rate, or annual fee.

2. List of criteria. A creditor must retain the list of criteria used to select potential recipients. This includes the criteria used by the creditor both to determine the potential recipients of the particular solicitation and to determine who will actually be offered credit.

3. Correspondence. A creditor may retain correspondence relating to consumers’ complaints about prescreened solicitations in any manner that is reasonably accessible and is understandable to examiners. There is no requirement to establish a separate database or set of files for such correspondence, or to match consumer complaints with specific solicitation programs.

Section 1002.13—Information for Monitoring Purposes

13(a) Information to be requested.

1. Natural person. Section 1002.13 applies only to applications from natural persons.

2. Principal residence. The requirements of §1002.13 apply only if an application relates to a dwelling that is or will be occupied by the applicant as the principal residence. A credit application related to a vacation home or a rental unit is not covered. In the case of a two-to four-unit dwelling, the application is covered if the applicant intends to occupy one of the units as a principal residence.
3. Temporary financing. An application for temporary financing to construct a dwelling is not subject to §1002.13. But an application for both a temporary loan to finance construction of a dwelling and a permanent mortgage loan to take effect upon the completion of construction is subject to §1002.13.

4. New principal residence. A person can have only one principal residence at a time. However, if a person buys or builds a new dwelling that will become that person’s principal residence within a year or upon completion of construction, the new dwelling is considered the principal residence for purposes of §1002.13.

5. Transactions not covered. The information-collection requirements of this section apply to applications for credit primarily for the purchase or refinancing of a dwelling that is or will become the applicant’s principal residence. Therefore, applications for credit secured by the applicant’s principal residence but made primarily for a purpose other than the purchase or refinancing of the principal residence (such as loans for home improvement and debt consolidation) are not subject to the information-collection requirements. An application for an open-end home equity line of credit is not subject to this section unless it is readily apparent to the creditor when the application is taken that the primary purpose of the line is for the purchase or refinancing of a principal dwelling.

6. Refinancings. A refinancing occurs when an existing obligation is satisfied and replaced by a new obligation undertaken by the same borrower. A creditor that receives an application to refinance an existing extension of credit made by that creditor for the purchase of the applicant’s dwelling may request the monitoring information again but is not required to do so if it was obtained in the earlier transaction.


13(b) Obtaining of information.
1. Forms for collecting data. A creditor may collect the information specified in §1002.13(a) either on an application form or on a separate form referring to the application. The applicant must be offered the option to select more than one racial designation.

2. Written applications. The regulation requires written applications for the types of credit covered by §1002.13. A creditor can satisfy this requirement by recording on paper or by means of computer the information that the applicant provides orally and that the creditor normally considers in a credit decision.

3. Telephone, mail applications. i. A creditor that accepts an application by telephone or mail must request the monitoring information.
1. **Multiple applicants.** If there is more than one applicant, the written disclosure about written appraisals, and the copies of appraisals and other written valuations, need only be provided to one applicant. However, these materials must be given to the primary applicant where one is readily apparent. Similarly, if there is more than one applicant for credit, an applicant may provide a waiver under §1002.14(a)(1), but it must be the primary applicant where one is readily apparent.

14(a)(1) In general.

1. **Coverage.** Section 1002.14 covers applications for credit to be secured by a first lien on a dwelling, as that term is defined in §1002.14(b)(2), whether the credit is for a business purpose (for example, a loan to start a business) or a consumer purpose (for example, a loan to purchase a home).

2. **Renews.** Section 1002.14(a)(1) applies when an applicant requests the renewal of an existing extension of credit and the creditor develops a new appraisal or other written valuation. Section 1002.14(a)(1) does not apply to the extent a creditor uses the appraisals and other written valuations that were previously developed in connection with the prior extension of credit to evaluate the renewal request.

3. **Written.** For purposes of §1002.14, an “appraisal or other written valuation” includes, without limitation, an appraisal or other valuation received or developed by the creditor in paper form (hard copy); electronically, such as CD or email; or by any other similar media. See §1002.14(a)(5) regarding the provision of copies of appraisals and other written valuations to applicants via electronic means.

4. **Timing.** Section 1002.14(a)(1) requires that the creditor “provide” copies of appraisals and other written valuations to the applicant “promptly upon completion;” or no later than three business days before consummation (for closed-end credit) or account opening (for open-end credit), whichever is earlier.

   i. For purposes of this timing requirement, “provide” means “deliver.” Delivery occurs three business days after mailing or delivering the copies to the last-known address of the applicant, or when evidence indicates actual receipt by the applicant, whichever is earlier. Delivery to or actual receipt by the applicant by electronic means must comply with the E-Sign Act, as provided for in §1002.14(a)(5).

   ii. The application and meaning of the “promptly upon completion” standard depends upon the facts and circumstances, including but not limited to when the creditor receives the appraisal or other written valuation, and the extent of any review or revision after the creditor receives it.

   iii. “Completion” occurs when the last version is received by the creditor, or when the creditor has reviewed and accepted the appraisal or other written valuation to include any changes or corrections required, whichever is later. See also comment 14(a)(1)–7.

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iii. “Completion” occurs when the last version is received by the creditor, or when
(or account opening). The creditor has provided the appraisal copy promptly upon completion.

iii. **Sending a copy of an AVM report within a sufficient time before consummation (or account opening for open-end credit).** The creditor receives an automated valuation model (AVM) report on day 6 after receipt of the application and treats the AVM report as complete when it is received. On day 12 after receipt of the application, the creditor sends the applicant a copy of the valuation. The applicant actually receives the valuation more than three business days before the date of consummation (or account opening). The creditor has provided the copy of the AVM report promptly upon completion.

iv. **Delay in sending an appraisal.** On day 12 after receipt of the application, the creditor’s underwriting department reviews an appraisal and determines it is acceptable. Although the creditor has determined the appraisal is complete, the creditor waits to provide a copy of the appraisal until day 42, when the creditor schedules the consummation (or account opening) to occur on day 50. The creditor has not provided the copy of the appraisal promptly upon completion.

v. **Delay in sending an AVM report while waiting for completion of a second valuation.** The creditor receives an AVM report on day 5 after application and completes its review of the AVM report the day it is received. The creditor also has ordered an appraisal, but the initial version of the appraisal received by the creditor is found to be deficient and is sent for review. The creditor waits 30 days to provide a copy of the completed AVM report, until the appraisal is completed on day 35. The creditor then provides the applicant with copies of the AVM report and the revised appraisal. While the appraisal report was provided promptly upon completion, the AVM report was not.

6. **Waiver.** Section 1002.14(a)(1) permits the applicant to waive the timing requirement if the creditor provides the copies at or before consummation or account opening, except where otherwise prohibited by law. Except where otherwise prohibited by law, an applicant’s waiver is effective under §1002.14(a)(1) in either of the following two situations:

i. If, no later than three business days prior to consummation or account opening, the applicant provides the creditor an affirmative oral or written statement waiving the timing requirement under this rule; or

ii. If, within three business days of consummation or account opening, the applicant provides the creditor an affirmative oral or written statement waiving the timing requirement under this rule and the waiver pertains solely to the applicant’s receipt of a copy of an appraisal or other written valuation that contains only clerical changes from a previous version of the appraisal or other written valuation provided to the applicant three or more business days prior to consummation or account opening. For purpose of this second type of waiver, revisions will only be considered to be clerical in nature if they have no impact on the estimated value, and have no impact on the calculation or methodology used to derive the estimate. In addition, under §1002.14(a)(1) the applicant still must receive the copy of the revision at or prior to consummation or account opening.

7. **Multiple versions of appraisals or valuations.** For purposes of §1002.14(a)(1), the reference to “all” appraisals and other written valuations does not refer to all versions of the same appraisal or other valuation. If a creditor has received multiple versions of an appraisal or other written valuation, the creditor is required to provide only a copy of the latest version received. If, however, a creditor already has provided a copy of one version of an appraisal or other written valuation, the creditor is required to provide only a copy of the revision to comply with §1002.14(a)(1). If a creditor receives only one version of an appraisal or other valuation that is developed in connection with the applicant’s application, then that version must be provided to the applicant to comply with §1002.14(a)(1). See also comment 14(a)(1)-4 above.

14(a)(2) Disclosure

1. **Appraisal independence requirements not affected.** Nothing in the text of the disclosure required by §1002.14(a)(2) should be construed to affect, modify, limit, or supersede the operation of any legal, regulatory, or other requirements or standards relating to independence in the conduct of appraisers or the use of applicant-ordered appraisals by creditors.

2. **Reasonable fee for reimbursement.** Section 1002.14(a)(3) does not prohibit a creditor from imposing a reasonable fee to reimburse the creditor’s costs of the appraisal or other written valuation, so long as the fee is not increased to cover the costs of providing copies of such appraisals or other written valuations under §1002.14(a)(1). A creditor’s cost may include an administration fee charged to the creditor by an appraisal management company as defined in 12 U.S.C. 3350(11). Section 1002.14(a)(3) does not, however, legally obligate the applicant to pay such fees. Further, creditors may not impose fees for reimbursement of the costs of an appraisal or other valuation where otherwise prohibited by law. For instance, a creditor may not
charge a consumer a fee for the performance of a second appraisal if the second appraisal is required under 15 U.S.C. 1639h(b)(2) and 12 CFR 1026.35(c).

14(b) Definitions.

14(b)(1) Consummation.

1. State law governs. When a contractual obligation on the consumer’s part is created is a matter to be determined under applicable law; §1002.14 does not make this determination. A contractual commitment agreement, for example, that under applicable law binds the consumer to the credit terms would be consummation. Consummation, however, does not occur merely because the consumer has made some financial investment in the transaction (for example, by paying a non-refundable fee) unless, of course, applicable law holds otherwise.

2. Credit vs. sale. Consummation does not occur when the consumer becomes contractually committed to a sale transaction unless the consumer also becomes legally obligated to accept a particular credit arrangement.

14(b)(2) Dwelling.


14(b)(3) Valuation.

1. Valuations—examples. Examples of valuations include but are not limited to:
   i. A report prepared by an appraiser (whether or not licensed or certified) including the appraiser’s estimate of the property’s value or opinion of value.
   ii. A document prepared by the creditor’s staff that assigns value to the property.
   iii. A report approved by a government-sponsored enterprise for describing to the applicant the estimate of the property’s value.
   iv. A report generated by use of an automated valuation model to estimate the property’s value.
   v. A broker price opinion prepared by a real estate broker, agent, or sales person to estimate the property’s value.

2. Attachments and exhibits. The term “valuation” includes any attachments and exhibits that are an integrated part of the valuation.

3. Other documentation. Not all documents that discuss or restate a valuation of an applicant’s property constitute a “valuation” for purposes of §1002.14(b)(3). Examples of documents that discuss the valuation of the applicant’s property may reflect its value but nonetheless are not “valuations” include but are not limited to:
   i. Internal documents that merely restate the estimated value of the dwelling contained in an appraisal or written valuation being provided to the applicant.
   ii. Governmental agency statements of appraised value that are publically available.
   iii. Publicly-available lists of valuations (such as published sales prices or mortgage amounts, tax assessments, and retail price ranges).
   iv. Manufacturers’ invoices for manufactured homes.
   v. Reports reflecting property inspections that do not provide an estimate of the value of the property and are not used to develop an estimate of the value of the property.
   vi. Appraisal reviews that do not include the appraiser’s estimate of the property’s value or opinion of value.

Section 1002.15—Incentives for Self-Testing and Self-Correction

15(a) General rules.

15(a)(1) Voluntary self-testing and correction.

1. Activities required by any governmental authority are not voluntary self-tests. A governmental authority includes both administrative and judicial authorities for Federal, State, and local governments.

15(a)(2) Corrective action required.

1. To qualify for the privilege, appropriate corrective action is required when the results of a self-test show that it is more likely than not that there has been a violation of the ECOA or this part. A self-test is also privileged when it identifies no violations.

2. In some cases, the issue of whether certain information is privileged may arise before the self-test is complete or corrective actions are fully under way. This would not necessarily prevent a creditor from asserting the privilege. In situations where the self-test is not complete, for the privilege to apply the lender must satisfy the regulation’s requirements within a reasonable period of time. To assert the privilege where the self-test shows a likely violation, the rule requires, at a minimum, that the creditor establish a plan for corrective action and a method to demonstrate progress in implementing the plan. Creditors must take appropriate corrective action on a timely basis after the results of the self-test are known.

3. A creditor’s determination about the type of corrective action needed, or a finding that no corrective action is required, is not conclusive in determining whether the requirements of this paragraph have been satisfied. If a creditor’s claim of privilege is challenged, an assessment of the need for corrective action or the type of corrective action that is appropriate must be based on a review of the self-testing results, which may require an in camera inspection of the privileged documents.

15(a)(3) Other privileges.

1. A creditor may assert the privilege established under this section in addition to asserting any other privilege that may apply, such as the attorney-client privilege or the work-product privilege. Self-testing...
data may be privileged under this section whether or not the creditor’s assertion of another privilege is upheld.

15(b) Self-test defined.

Paragraph 15(b)(1)(i).

1. To qualify for the privilege, a self-test must be sufficient to constitute a determination of the extent or effectiveness of the creditor’s compliance with the Act and Regulation B. Accordingly, a self-test is only privileged if it was designed and used for that purpose. A self-test that is designed or used to determine compliance with other laws or regulations or for other purposes is not privileged under this rule. For example, a self-test designed to evaluate employee efficiency or customers’ satisfaction with the level of service provided by the creditor is not privileged even if evidence of discrimination is uncovered incidentally. If a self-test is designed for multiple purposes, only the portion designed to determine compliance with the ECOA is eligible for the privilege.

Paragraph 15(b)(1)(ii).

1. The principal attribute of self-testing is that it constitutes a voluntary undertaking by the creditor to produce new data or factual information that otherwise would not be available and could not be derived from loan or application files or other records related to credit transactions. Self-testing includes, but is not limited to, the practice of using fictitious applicants for credit (testers), either with or without the use of matched pairs. A creditor may elect to test a defined segment of its business, for example, loan applications processed by a specific branch or loan officer, or applications made for a particular type of credit or loan program. A creditor also may use other methods of generating information that is not available in loan and application files, such as surveying mortgage loan applicants. To the extent permitted by law, creditors might also develop new methods that go beyond traditional pre-application testing, such as hiring testers to submit fictitious loan applications for processing.

2. The privilege does not protect a creditor’s analysis performed as part of processing or underwriting a credit application. A creditor’s evaluation or analysis of its loan files, Home Mortgage Disclosure Act data, or similar types of records (such as broker or loan officer compensation records) does not produce new information about a creditor’s compliance and is not a self-test for purposes of this section. Similarly, a statistical analysis of data derived from existing loan files is not privileged.

15(b)(2) Types of information not privileged.

Paragraph 15(b)(2)(i).

1. The information listed in this paragraph is not privileged and may be used to determine whether the prerequisites for the privilege have been satisfied. Accordingly, a creditor might be asked to identify the self-testing method, for example, whether preapplication testers were used or data were compiled by surveying loan applicants. Information about the scope of the self-test (such as the types of credit transactions examined, or the geographic area covered by the test) also is not privileged.

Paragraph 15(b)(2)(ii).

1. Property appraisal reports, minutes of loan committee meetings or other documents reflecting the basis for a decision to approve or deny an application, loan policies or procedures, underwriting standards, and broker compensation records are examples of the types of records that are not privileged. If a creditor arranges for testers to submit loan applications for processing, the records are not related to actual credit transactions for purposes of this paragraph and may be privileged self-testing records.

15(c) Appropriate corrective action.

1. The rule only addresses the corrective actions required for a creditor to take advantage of the privilege in this section. A creditor may be required to take other actions or provide additional relief if a formal finding of discrimination is made.

15(c)(1) General requirement.

1. Appropriate corrective action is required even though no violation has been formally adjudicated or admitted by the creditor. In determining whether it is more likely than not that a violation occurred, a creditor must treat testers as if they are actual applicants for credit. A creditor may not refuse to take appropriate corrective action under this section because the self-test used fictitious loan applicants. The fact that a tester’s agreement with the creditor waives the tester’s legal right to assert a violation does not eliminate the requirement for the creditor to take corrective action, although no remedial relief for the tester is required under paragraph 15(c)(3).

15(c)(2) Determining the scope of appropriate corrective action.

1. Whether a creditor has taken or is taking corrective action that is appropriate will be determined on a case-by-case basis. Generally, the scope of the corrective action that is needed to preserve the privilege is governed by the scope of the self-test. For example, a creditor that self-tests mortgage loans and discovers evidence of discrimination may focus its corrective actions on mortgage loans, and is not required to expand its testing to other types of loans.

2. In identifying the policies or practices that are a likely cause of the violation, a creditor might identify inadequate or improper lending policies, failure to implement established policies, employee conduct, or other causes. The extent and scope of a likely violation may be assessed by determining
which areas of operations are likely to be affected by those policies and practices, for example, by determining the types of loans and stages of the application process involved and the branches or offices where the violations may have occurred.

3. Depending on the method and scope of the self-test and the results of the test, appropriate corrective action may include one or more of the following:
   i. If the self-test identifies individuals whose applications were inappropriately processed, offering to extend credit if the application was improperly denied and compensating such persons for out-of-pocket costs and other compensatory damages;
   ii. Correcting institutional policies or procedures that may have contributed to the likely violation, and adopting new policies as appropriate;
   iii. Identifying and then training and/or disciplining the employees involved;
   iv. Developing outreach programs, marketing strategies, or loan products to serve more effectively segments of the lender’s markets that may have been affected by the likely discrimination; and
   v. Improving audit and oversight systems to avoid a recurrence of the likely violations.

15(c)(3) Types of relief.

Paragraph 15(c)(3)(ii).

1. The use of pre-application testers to identify policies and practices that illegally discriminate does not require creditors to review existing loan files for the purpose of identifying and compensating applicants who might have been adversely affected.

2. If a self-test identifies a specific applicant who was discriminated against on a prohibited basis, to qualify for the privilege in this section the creditor must provide appropriate remedial relief to that applicant; the creditor is not required to identify other applicants who might also have been adversely affected.

Paragraph 15(c)(3)(iii).

1. A creditor is not required to provide remedial relief to an applicant that would not be available by law. An applicant might also be ineligible for certain types of relief due to changed circumstances. For example, a creditor is not required to offer credit to a denied applicant if the applicant no longer qualifies for the credit due to a change in financial circumstances, although some other type of relief might be appropriate.

15(d)(1) Scope of privilege.

1. The privilege applies with respect to any examination, investigation or proceeding by Federal, State, or local government agencies relating to compliance with the Act or this part. Accordingly, in a case brought under the ECOA, the privilege established under this section preempts any inconsistent laws or court rules to the extent they might require disclosure of privileged self-testing data. The privilege does not apply in other cases (such as in litigation filed solely under a State’s fair lending statute). In such cases, if a court orders a creditor to disclose self-test results, the disclosure is not a voluntary disclosure or waiver of the privilege for purposes of paragraph 15(d)(2); a creditor may protect the information by seeking a protective order to limit availability and use of the self-testing data and prevent dissemination beyond what is necessary in that case. Paragraph 15(d)(1) precludes a party who has obtained privileged information from using it in a case brought under the ECOA, provided the creditor has not lost the privilege through voluntary disclosure under paragraph 15(d)(2).

15(d)(2) Loss of privilege.

Paragraph 15(d)(2)(i).

1. A creditor’s corrective action, by itself, is not considered a voluntary disclosure of the self-test report or results. For example, a creditor does not disclose the results of a self-test merely by offering to extend credit to a denied applicant or by inviting the applicant to reapply for credit. Voluntary disclosure could occur under this paragraph, however, if the creditor disclosed the self-test results in connection with a new offer of credit.

2. The disclosure of self-testing results to an independent contractor acting as an auditor or consultant for the creditor on compliance matters does not result in loss of the privilege.


1. The privilege is lost if the creditor discloses privileged information, such as the results of the self-test. The privilege is not lost if the creditor merely reveals or refers to the existence of the self-test.

Paragraph 15(d)(2)(iii).

1. A creditor’s claim of privilege may be challenged in a court or administrative law proceeding with appropriate jurisdiction. In resolving the issue, the presiding officer may require the creditor to produce privileged information about the self-test.


1. A creditor may be required to produce privileged documents for the purpose of determining a penalty or remedy after a violation of the ECOA or Regulation B has been formally adjudicated or admitted. A creditor’s compliance with such a requirement does not evidence the creditor’s intent to forfeit the privilege.

Section 1002.16—Enforcement, Penalties, and Liabilities

16(c) Failure of compliance.

1. Inadvertent errors. Inadvertent errors include, but are not limited to, clerical mistake, calculation error, computer malfunction, and printing error. An error of legal
judgment is not an inadvertent error under the regulation.

2. Correction of error. For inadvertent errors that occur under §§1002.12 and 1002.13, this section requires that they be corrected prospectively.

APPENDIX B—MODEL APPLICATION FORMS

1. Freddie Mac/Fannie Mae form—residential loan application. The uniform residential loan application form (Freddie Mac 65/Fannie Mae 1003), including supplemental form (Freddie Mac 65A/Fannie Mae 1003A), prepared by the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association and dated October 1992 may be used by creditors without violating this part. Creditors that are governed by the monitoring requirements of this part (which limits collection to applications primarily for the purchase or refinancing of the applicant’s principal residence) should delete, strike, or modify the data-collection section on the form when using it for transactions not covered by §1002.13(a) to ensure that they do not collect the information. Creditors that are subject to more extensive collection requirements by a substitute monitoring program under §1002.13(d) or by the Home Mortgage Disclosure Act (HMDA) may use the form as issued, in compliance with the substitute program or HMDA.

2. FHLMC/FNMA form—home improvement loan application. The home improvement and energy loan application form (FHLMC 703/FNMA 1012), prepared by the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association and dated October 1986, complies with the requirements of the regulation for some creditors but not others because of the form’s section “Information for Government Monitoring Purposes.” Creditors that are governed by §1002.13(a) of the regulation (which limits collection to applications primarily for the purchase or refinancing of the applicant’s principal residence) should delete, strike, or modify the data-collection section on the form when using it for transactions not covered by §1002.13(a) to ensure that they do not collect the information. Creditors that are subject to more extensive collection requirements by a substitute monitoring program under §1002.13(d) may use the form as issued, in compliance with that substitute program.

APPENDIX C—SAMPLE NOTIFICATION FORMS

1. Form C-9. If not otherwise provided under other applicable disclosure requirements, creditors may design their own form, add to, or modify the model form to reflect their individual policies and procedures. For example, a creditor may want to add:

   i. A telephone number that applicants may call to leave their name and the address to which a copy of the appraisal or other written valuation should be sent.

   ii. A notice of the cost the applicant will be required to pay the creditor for the appraisal or other valuation.

    (76 FR 79445, Dec. 21, 2011, as amended at 78 FR 7248, Jan. 31, 2013)