

RESCINDED
Thrift Bulletin

Handbook: Compliance Activities

Subjects: Nondiscrimination

Section: 200
TB 25

April 19, 1989

Rescinded 11/19/08 with the issuance of TB 25a. Click to link to TB 25a.

Disparities in Mortgage Lending

Summary: The Federal Home Loan Bank System is firmly committed to the vigorous enforcement of the fair lending laws in this country. This Bulletin re-emphasizes the affirmative obligations of thrift institutions to help meet the credit needs of their communities in a nondiscriminatory manner and summarizes the Federal Home Loan Bank Board's program for enforcing nondiscriminatory treatment of loan applicants.

For Further Information Contact:

The FHLBank District in which you are located or the Compliance Programs Division of the Office of Regulatory Activities, Washington, DC.

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Equal access to the credit markets by all people is both an economic and social good, in addition to being the law of the land. Discrimination has no place in this society and affirmative efforts of thrift institutions to assure that they do not engage in discriminatory practices, either intentionally or unintentionally, is vital to assure equal and fair treatment.

Background

A review of the information in the Data Submission Reports that thrift institutions compile from their Loan Application Registers pursuant to 12 CFR 528.6 shows that, in most cases, minority applicants are rejected for home mortgage loans more frequently than nonminorities. The Board is concerned about the disparities reflected in the data. While the data alone does not prove discrimination by the industry or by individual institutions, any disparities in the data must be fully explored by both examiners and thrift institutions.

Obligations of Thrift Institutions

Under the Community Reinvestment Act and associated Board reg-

ulations, thrift institutions have an affirmative obligation to help meet the credit needs of their entire communities on a nondiscriminatory basis, consistent with safe and sound operation. In addition, thrift institutions are subject to a number of other laws and regulations, such as the Equal Credit Opportunity Act, that prohibit lending discrimination.

Thrift institutions should examine, at least annually, their own policies, procedures, lending activity and data, including their written underwriting standards and the practices implementing them, to be sure that no illegal discriminatory lending practices could result. As part of this review, institutions should analyze the Data Submission Reports they submit and the Loan Application Registers to help determine the cause of any lending disparities. Data compiled under the Home Mortgage Disclosure Act should also be carefully analyzed. Furthermore, thrift institutions should conduct reviews of their own compliance with the nondiscrimination laws and regulations. To assist in conducting internal reviews, the manual "Compliance: A Self Assessment Guide", which was prepared and distributed to every thrift institution in July 1988, can be consulted.

Federal Home Loan Bank Board Initiatives

The Board has a number of programs underway to ensure that

institutions comply with the nondiscrimination laws and regulations. First, the Board recently approved a specialized examination program for the compliance area that involves the use of a separate examination force of specially-trained personnel to conduct compliance examinations. The decision to approve a separate compliance examination program reaffirms the Board's commitment to assuring that thrift management complies with its responsibilities under applicable legal requirements and standards of prudent management. As part of this program, examiners will routinely analyze the Data Submission Report information as part of each examination and make any additional investigations deemed necessary.

The Board has developed an examination handbook devoted exclusively to examining and enforcing compliance with the consumer protection laws and regulations, the Community Reinvestment Act, and other public-interest laws such as the Bank Secrecy Act. This handbook should be in the hands of every thrift institution and every examiner involved in reviewing compliance issues in the near future.

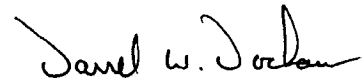
Furthermore, the Board is identifying thrifts whose previous Data Submission Reports indicated widely disparate trends involving race or census tract income levels. In conjunction with the Federal Home Loan Banks, targeted visits to these thrifts will be conducted, using the

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Data Submission Reports as the basis for the examination. Examiners will analyze thoroughly the lending policies and procedures of these thrifts. Any instances of illegal

discrimination that arise in connection with these investigations will be subject to the full extent of our supervisory and enforcement authority.



— Darrel W. Dochow, Executive Director