

ADDITIONAL QUESTIONS FOR FEDERAL REGULATORY AGENCIES

1. In how many instances over the past three years has your agency found substantive violations of the Fair Housing Act or Equal Credit Opportunity Act (ECOA) while conducting examinations? Provide some examples of how these substantive violations were resolved.

Thirty-eight substantive violations were cited for institutions examined from January 1, 1987 through December 31, 1989. Most were considered isolated violations and not a pattern of discrimination. In every case, we required management to make corrections, including amending their loan policies where necessary. When we forwarded examination reports to the institutions, they had to advise the FDIC of the corrective actions taken. Examiners are also required to follow-up on cited violations at subsequent examinations. Corrective actions were taken in almost all the cited cases and repeated violations generally were not found. (In those few instances where corrections were not made, we have increased supervisory actions to ensure that the institutions take corrective action as soon as possible.) By way of example, in one instance an institution had an illegal policy of automatically assigning young and elderly applicants a greater risk factor. This was one of many apparent violations in the institution. We required the institution to sign a Memorandum of Understanding specifying needed corrections. Also, the institution's policy was changed and other corrections made. Examiners verified the corrections at the next examination.

2. In how many instances over the past three years has your agency referred cases of possible discrimination to the Department of Justice for prosecution? What were the results?

No cases have been referred to the Department of Justice over the past three years. The FDIC has adequate authority to enforce compliance with the fair lending laws and regulations through increased regulatory oversight, administrative actions, and civil money penalties.

3. Has your agency found violations of the Fair Housing Act or ECOA (Regulation B) based on an "effects test" analysis? Can you provide any specific examples of how you have used this approach to prohibit lenders from maintaining loan policies which have a discriminatory effect on minorities?

Violations of the Fair Housing Act or ECOA are identified in the examination process through prescribed examination procedures. In following these procedures, our examiners review and analyze an institution's lending policies and procedures to determine if discriminatory practices are evident. Analysis includes an evaluation of whether any of the policies or procedures fail the "effects test." However, the FDIC does not separately track the individual methods, including the "effects test," that may be used by examiners to detect violations of the Fair Housing Act or ECOA.

4. How many fair lending written complaints did your agency receive over the past three years? How many of these complaints led to a finding of a substantive violation? Provide some examples of how these substantive violations were resolved.

From January 1, 1987 through May 1, 1990, we received 3,615 complaints related to the fair lending laws (ECOA, FHA, CRA, and HMDA.) None of them led to a finding of a substantive violation. The largest volume involved nationwide credit card operations, i.e., denial of credit applications. In one particular instance, the volume and nature of the complaints led to an examination of the institution based on our concerns about the allegations. While the examination did not reveal actual violations of the laws or regulations, the institution had failed to follow its own policies and procedures with regard to communicating its denials of credit to applicants, resulting in confusion on the part of applicants. We advised the institution to adhere strictly to its policies in the future and make any necessary corrections. The following is a breakdown of the written complaints by year:

<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>5/1/90</u>
1,381	835	378	72

5. How many fair lending telephone calls did your agency receive over the past three years? Can you characterize these inquiries? Are there any patterns among these inquiries? What are complainants told in response?

Our Office of Consumer Affairs and eight Regional offices reported over 2,100 telephone calls related to the fair lending laws (ECOA, FHA, CRA, and HMDA) in 1987; nearly 3,100 in 1988; and about 5,600 in 1989. Many of the calls were from bankers concerning regulatory changes. Many of the other calls were from consumers with questions about credit denials or home ownership counselling requirements. We also received a number of calls from individuals involved in fair lending studies in their communities, and seeking general information. No

patterns were noted nor was any particular institution the focus of the inquiries. Those wishing to register a specific complaint are generally requested to do so in writing. In every case, we investigate the complaints received and try to resolve the problem or provide necessary information.

6. Do appraisers, private mortgage insurers, or the secondary market play a role in discrimination? What should Congress do about the problem of under-appraisals of properties in minority areas? Would your agency detect this problem in its normal examination or complaint-response procedures?

Any group or individual involved in mortgage lending activities could play a role in mortgage lending discrimination, including financial institutions, appraisers, private mortgage insurers or the secondary market. We have no information, however, on which to express an opinion about whether appraisers, private mortgage insurers, or the secondary market actually play a role in such discrimination.

The FIRREA contains real estate appraisal reform amendments, the purpose of which is to require that real estate appraisals utilized in connection with federally-related transactions be performed according to uniform standards by individuals whose competency has been demonstrated and whose professional conduct is effectively supervised. Accordingly, the FFIEC established an appraisal subcommittee which early this year released guidelines for state certification and licensing of real estate appraisers. These new standards should help ensure uniformity and consistency throughout the appraisal industry.

With respect to under-appraisals, we have found no evidence of this practice through our normal examination process or complaint procedures. However, if we received any complaints or found any evidence of under-appraisals, we would investigate.