



NEWS RELEASE

FOR IMMEDIATE RELEASE

PR-44-93

(5-5-93)

FDIC ANNOUNCES EFFORTS TO STRENGTHEN ENFORCEMENT OF FAIR LENDING LAWS

FDIC Chairman Andrew C. Hove, Jr., has announced two actions intended to strengthen the monitoring and enforcement of fair lending laws at the nearly 7,500 commercial and savings banks supervised by the agency.

At the direction of Chairman Hove, a Fair Lending Working Group of senior-level staff from around the country has been appointed to analyze the FDIC's existing programs and procedures for preventing, detecting and correcting discriminatory credit practices. The five-person committee has been instructed to present a written report to FDIC management by the end of June, with specific recommendations for improvement.

In addition, the FDIC has revised the procedures its examiners must follow in monitoring a bank's adherence to the Fair Housing Act of 1968 (FHA), which prohibits discrimination in making loans involving housing because of race, color, religion, sex, national origin, familial status or handicap. The new procedures, developed by the FDIC and already distributed to the staff, give examiners more specific direction and guidance on the three basic components of the FHA examination process. Those are: collecting and evaluating various information; analyzing samples of approved and denied loans and loan applications for possible signs of discrimination; and reaching conclusions about the institution's compliance with the fair housing and equal credit opportunity laws.

Chairman Hove said: "The FDIC has a long-standing commitment to a strong and effective program of consumer compliance examinations and enforcement, especially in the fair lending area. The steps we have announced should send

-more-

further notice that the FDIC considers lending discrimination in any form to be intolerable."

The new working group consists of five senior staff members from the FDIC's Division of Supervision (DOS) and Office of Consumer Affairs (OCA) — two from the Washington headquarters and the others from Boston, Chicago and San Francisco regional offices. Oversight of the working group's efforts is being shared by OCA Director Janice M. Smith and DOS Assistant Director Charles V. Collier, who is responsible for the FDIC's consumer compliance examination program. The group's recommendations will be presented to the FDIC Board of Directors, DOS Director Stanley J. Poling, and other senior officials.

"This working group has been carefully selected from our nationwide staff of consumer compliance experts and has been given clear instructions," Chairman Hove said. "This group is to recommend effective new policies and enforcement efforts, changes in organization, innovative outreach and communication programs with the industry and with community groups, and any other measures to assist the FDIC in detecting, preventing and correcting loan discrimination. We expect to initiate appropriate measures soon after the staff recommendations are received."

One such alternative the working group will consider is whether the FDIC should begin using "testers," or individuals working for the agency on a contract basis who would pose as loan applicants in order to check for possible discriminatory treatment. The working group also will consider providing written guidelines to financial institutions that are interested in implementing self-testing programs.

The newly formed working group and the procedural changes are the latest

in a series of efforts by the FDIC to strengthen consumer compliance efforts, particularly in the fair lending area.

In 1990, for example, the FDIC established a consumer compliance examination program with an examination staff dedicated to this area of banking activities. Previously, the FDIC relied on safety and soundness examiners with some training in compliance and a small cadre of specialized examiners to conduct compliance examinations. There now are 250 field examiner positions at the FDIC, plus an Assistant Regional Director and examination review staff in each of the FDIC's eight regional DOS offices, with specific responsibility for compliance. In conjunction with this program, the FDIC established an extensive training program devoted to consumer compliance.

Also in 1990, the FDIC's Office of Consumer Affairs established a Community Affairs Program consisting of staff in each regional office whose primary mission is to promote a better understanding of fair lending laws through outreach to bankers, local citizens, government officials and others. The program's staff also support the FDIC's examination function as it relates to fair lending laws.

###