

Compliance *Action*

*The* **Executive Guide to**  
Compliance Regulations

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Regulations  
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# **EXECUTIVE GUIDE TO COMPLIANCE REGULATIONS**

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# ***Community Reinvestment Act (Regulation BB)***

**Statute:** 12 USC 2901

**Regulation:** 12 CFR 228

## **Summary of Key Provisions**

The Community Reinvestment Act (CRA) encourages banks to “help meet the credit needs of their entire community, including low- and moderate-income areas,” consistent with safe and sound lending practices.

Banks are examined and rated on the basis of the volume and type of lending throughout their communities. The primary focus of the CRA evaluation is results-oriented—that is, emphasizing the number of loans and investments made within an institution’s assessment area. The examination evaluates the dispersion or distribution of loan products to all census tracts in the community and to low- and moderate-income residents of the community.

Although not specifically required in the regulation, CRA programs should include community outreach to determine the credit needs of low- and moderate-income communities. Banks need to consider the design of loan programs to help meet those credit needs, maintaining an active marketing program to reach all parts of the community; maintaining an effective fair lending compliance program, including training for all lending staff; analyzing the bank’s lending efforts by geography and income levels; and participating in a variety of loan programs, including state and local government loan programs. Participation in foreclosure prevention programs and loan rewrite programs will be considered favorably to the extent that they benefit low- and moderate-income communities and individuals.

Regulators measure the quality or degree of involvement by the board of directors, because the success of the CRA program will depend on active involvement and leadership of the board and senior management.

# ***Equal Credit Opportunity Act (Regulation B)***

**Statute:** 15 USC 1691

**Regulation:** 12 CFR 202

## **Summary of Key Provisions**

The Equal Credit Opportunity Act (ECOA) provides that any qualified applicant may apply for credit and be evaluated for creditworthiness without regard to the applicant's race, color, religion, national origin, sex, marital status, or age (provided the applicant has the capacity to contract); the fact that all or part of the applicant's income is derived from a public assistance program; or the fact that the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

A qualified applicant has a right to an individual account, rather than being required to produce an unneeded cosigner, and to have that account in her/his own name rather than in the name of a spouse. The creditor must fully consider income that the applicant can demonstrate is regularly received.

Recently, the marketing practices and the design of products have gotten close attention. Regulators evaluate the impact of marketing and products on all elements of the bank's market.

Proper documentation of loan applications is also important. Documentation should support and explain the credit decision. Without documentation, the lender is presumed to have violated ECOA.

The regulation requires creditors to notify applicants of action taken; to notify applicants that they have a right to receive a copy of the appraisal for loans secured by a lien on a dwelling (or to provide the appraisal); and to collect "government monitoring" information on applications for certain dwelling-related loans.

*Note: ECOA and Regulation B apply to all types of credit, whether for consumer or business purposes.*