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ABSTRACT

Designed for the general public and possibly suitable also for high school economics students, this pamphlet describes the provisions of the Equal Credit Opportunity Act. The act prevents age from being used as the basis to deny or decrease credit to those who otherwise qualify. The pamphlet presents general rules for rating an applicant: (1) a creditor may not refuse to consider retirement income when rating a credit application; (2) a creditor may not require the reapplication for or closing of an account upon reaching a certain age or retirement; (3) a creditor may not deny credit or close an account because credit-related insurance at certain ages is unavailable; and (4) a consumer 62 or older must be given at least as many points for age as any person under 62. Special considerations are noted, such as the law permitting creditors to consider information related to age that has a clear bearing on the person's ability and willingness to repay debt. The legal obligations of the creditor in the event that credit is denied are briefly described. The final section presents a list of names and locations of federal enforcement agencies which deal with questions concerning fair credit laws. (LH)

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The Equal Credit Opportunity Act

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The Equal Credit Opportunity Act

2
... and Age

You retire this year at age 63, planning to fulfill a lifetime dream of sailing on the seas. But, despite a good credit history and a comfortable income, you find that the money you can borrow would barely buy a rowboat. What do you do?

On your 65th birthday you receive a notice to reapply for your credit card at a local department store. Your financial situation is unchanged from last year. What do you do?

You may have a complaint under the Equal Credit Opportunity Act. This Act prohibits discrimination against an applicant for credit on the basis of age, sex, marital status, race, color, religion, national origin, and other factors.

This pamphlet describes the provisions of the Act (and the regulation issued by the Federal Reserve to carry it out) that prevent your age from being used against you when you need credit.

Rating You As A Credit Risk —

The General Rules

Creditors use various criteria in determining the types of loans they will make and the creditworthiness of the people to whom they will lend. They want to be assured that you are both able and willing to repay debt. They will therefore ask questions about your income, your expenses, your debts, and your reliability. Do you have savings investments? Do you own your own home? Have you lived at your current address? What is your credit history?

The Equal Credit Opportunity Act does not prohibit a creditor from using such criteria. It does not give anyone an automatic right to credit or require that loans be made to people who are not good credit risks.

Under the law, a creditor may also ask how old you are. However, the use of this information is restricted. The law says that **your age may not be the basis for an arbitrary decision to deny or decrease credit if you otherwise qualify.** You may not be turned down for credit just because you are over a certain age.

A creditor also may not:

- refuse to consider your retirement income in rating your credit application.
- require you to reapply, change the terms of your account, or close your account just because you reach a certain age or retire.
- deny you credit or close an account because credit life insurance or other credit-related insurance is not available to people your age.

Some creditors rely on a system of credit-scoring to rate you as a credit risk. Based on the creditor's experience, a certain number of points is given to each characteristic which has proved to be an accurate predictor of creditworthiness. The Equal Credit Opportunity Act permits a creditor who uses such a system to score your age. But:

- if you are 62 or older you must be given at least as many points for age as any person under 62.

Special Considerations

Age has economic consequences. If you are young and just entering the labor force, your earnings are likely to grow over the years. On the other hand, your expenses are probably rising too, and you may not have built up

3

much of a credit record to rely on. If you are retired, you may have experienced a loss in income. On the other hand, your expenses have probably decreased also, and you may have a solid credit history to support your application.

All of this information could have an important effect on your creditworthiness, but not all of it will show up on a credit form:

The law therefore permits a creditor to consider information related to age that has a clear bearing on a person's ability and willingness to repay debt. Consider the following example:

- Jones applies for a mortgage loan for 30 years with a 5% downpayment. Jones is 63 years old and his income will be reduced when he retires in two years. The loan is denied.

Jones might meet the bank's standards if the downpayment were larger; if the loan had a shorter term with higher monthly payments; or if savings and investments—or other assets easily converted to cash—could be offered as security for the loan.

If you think there may be a connection between your age and the factors used to determine creditworthiness, you should go to your credit interview armed with alternatives and ready to supply whatever information will help your chances for credit.

If Credit Is Denied

A creditor may not stall you on an application. The law requires that you be notified within 30 days of any action taken on your application. If credit is denied, this notice must be in writing, and it must either give specific reasons for the denial or tell you of your right to request such an explanation. You have the same rights if a credit account is closed.

If you are denied credit, first find out why. Remember that you might try to renegotiate credit terms—such as the length of the loan or the size of your downpayment— if some aspect of creditworthiness connected with your age puts you at a disadvantage. Try to solve the problem with the creditor, and show you know about your right to equal credit opportunity.

If the problem can't be solved and you believe that you have been discriminated against, you may sue for actual damages plus a penalty fee if the violation was intentional. The court will also award you reasonable attorney's fees if there's been a violation.

To Find Out More

If you think you have been discriminated against in connection with credit, you may want to ask the appropriate Federal enforcement agency for advice and help. These agencies and the types of creditors regulated by each are listed on the back of this pamphlet.

If you need help in locating sources of credit in your community, you may want to contact a local consumer education group or association of retired persons.

Federal Enforcement Agencies

National Banks

Comptroller of the Currency
Consumer Community and Fair Lending Examination Division
Washington, D.C. 20219

State Member Banks

Federal Reserve Bank serving the district in which the State member bank is located.

Nonmember Insured Banks

Federal Deposit Insurance Corporation Regional Director for the region in which the nonmember insured bank is located.

Savings Institutions Insured by the FSLIC and Members of the FHLB System (except for Savings Banks Insured by FDIC)

The Federal Home Loan Bank Board Supervisory Agent in the district in which the institution is located.

Federal Credit Unions

Regional office of the National Credit Union Administration serving the area in which the Federal credit union is located.

Creditors Subject to Civil Aeronautics Board

Director, Bureau of Enforcement
Civil Aeronautics Board
1825 Connecticut Avenue, N.W.
Washington, D.C. 20428

Creditors Subject to Interstate Commerce Commission

Office of Proceedings
Interstate Commerce Commission
Washington, D.C. 20423

Creditors Subject to Packers and Stockyards Act

Nearest Packers and Stockyards Administration area supervisor.

Small Business Investment Companies

U.S. Small Business Administration
1441 L Street, N.W.
Washington, D.C. 20416

Brokers and Dealers

Securities and Exchange Commission
Washington, D.C. 20549

Federal Land Banks, Federal Land Bank Associations, Federal Intermediate Credit Banks and Production Credit Associations

Farm Credit Administration
490 L'Enfant Plaza, S.W.
Washington, D.C. 20578

Retail, Department Stores, Consumer Finance Companies, All Other Creditors, and All Nonbank Credit Card Issuers (Lenders operating on a local or regional basis should use the address of the F.T.C. Regional Office in which they operate)

Federal Trade Commission
Equal Credit Opportunity
Washington, D.C. 20580