

September 8, 1975

MEMORANDUM TO: Congressman Harold E. Ford

RE: Attached Letter to be Sent to the following
Agencies:

- Comptroller of the Currency
- Federal Reserve Board
- Federal Deposit Insurance Corporation
- Federal Home Loan Bank Board

The attached letter and press release should be self-explanatory. I would like to have each of you sign the letter with me, which will be done on Committee stationery to each of the agencies listed above.

I will coordinate all press inquiries through my press officer, Robert Johnson, and legislative assistant, Howard Lee, who may be reached at X-58050.

The House Banking Committee has additional information if you would like to inquire. The person whom you should contact is Bill Nachbauer, who may be reached on X-53548.

Please advise me as to whether or not you will sign by Wednesday, September 10, 1975.

WALTER E. FAUNTROY
Member of Congress

ATTACHMENT

cc: Congressman Parren J. Mitchell

Sen. Barberis & Cusack

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CC: Congressman Harold E. Ford

BLACK MEMBERS OF BANKING, CURRENCY AND HOUSING COMMITTEE ASK FEDERAL
REGULATORY AGENCIES TO STEP UP MONITORING AND ENFORCEMENT OF
DISCRIMINATION CHARGES IN HOME FINANCING

Congressmen Walter E. Fauntroy (D., D.C.), Parren J. Mitchell (D., Md.) and Harold E. Ford (D., Tenn.), Members of the House Committee on Banking, Currency and Housing, released a letter today that asked Federal Financial Regulatory Agencies to continue to seek information to determine the type and degree to which racial considerations dictate lending policies in home financing.

The letter was sent to the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board.

The Members' decision to ask for greater scrutiny on the part of these Federal agencies into charges of racial discrimination in home financing was based on earlier data collected by the Federal Home Loan Bank Board indicating that the rejection rate for Black applicants in the San Diego area was 3.37 times the rejection rate for whites; in Atlanta, Blacks were rejected three times as often as whites and the ratio in the Washington, D.C. area was 1.72 Black loan applicants rejected over white applicants.

Commenting on these differences, the Members stated, "Some of these disparities can probably be explained by economic differences between minority and white applicants, but the disparities here are so great as to suggest strongly that factors other than legitimate economic considerations played a role in the lenders' decisions regarding where and to whom they lend the funds they obtain from the public. The agencies have a clear duty to investigate the reasons for the disparities and take strong action to eliminate practices which are discriminatory in effect and not economically justified. The data disclosed by the agencies demonstrates how important it is for the agencies and the Department of Housing and Urban Development to develop adequate programs to ensure equal opportunity in home lending." Data released in July by the Comptroller of the Currency was correlated by income and showed that the minority rejection rate was twice the white rejection rate.

Last year the regulatory agencies required all federally insured banks and savings and loan associations in 18 metropolitan areas to obtain and report certain information on applicants for home loans during a six month period. Any applicant who applied in person for a loan was required to supply information regarding his or her race or national origin, the geographic location of the home the applicant wanted to finance and other information. Three different forms were tested, each in six of the Standard Metropolitan Statistical Areas covered.

The 18 metropolitan areas vary in size and racial composition and are distributed throughout the country. The areas included were: Atlanta, Georgia; Baltimore, Maryland; Bridgeport, Connecticut; Buffalo, New York; Cleveland, Ohio; Chicago, Illinois; Galveston-Texas City, Texas; Jackson, Mississippi; Jersey City, New Jersey; Memphis, Tennessee; Montgomery, Alabama; San Antonio, Texas; San Diego, California; Tampa-St. Petersburg, Florida; Topeka, Kansas; Tucson, Arizona; Vallejo-Napa-Fairfield, California; and Washington, D.C.-Maryland-Virginia.

The data shows that lending institutions in the six areas using the Bank Board's form denied loans to Black applicants 18% of the time while the rejection rate for whites was only 8%. Rejection rates for

other minority groups was also higher than the white rate. The rejection rate for female applicants was higher than the rate for males.

There was concern in the letter, however, over whether the agencies would continue to obtain this data since its release was accompanied by what was felt to be an undue emphasis on the deficiencies of the methodology used and the errors made by the regulatees.

Among other items raised in the letter were the following:

- Whether the agencies intended to verify and remedy the prima facie cases of law violations disclosed by the data from the 18 SMSAA?
- Whether the agencies planned to develop a permanent monitoring and compliance program?
- Whether any cease and desist orders have been handed down in any situation involving a violation of section 808 of the 1968 Fair Housing Act?
- Whether examination of the institutions evaluate the extent to which these institutions serve the areas they were chartered to serve?

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