(1) Construction of new facilities in conformance with the requirements of § 17.38.

(2) Reassigning programs to accessible locations.

(3) Delivering programs or activities at alternative accessible sites operated by or available for such use by the recipient.

(4) Assignments of aides to beneficiaries.

(5) Other methods that result in making the program or activity accessible to handicapped persons.

§ 17.67 [Reserved]

§ 17.68 Enforcement procedures.

The compliance and enforcement provisions applicable to title VI of the Civil Rights Act of 1964 apply to this subpart. These procedures are found in 43 CFR Part 17, Subpart A, §§ 17.5–17.11.

§ 17.69—§ 17.75 [Reserved]

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Friday
April 13, 1979

Part VI

Department of Housing and Urban Development

Office of Assistant Secretary for Community Planning and Development

Announcement of Experiment in Local Approval Authority and Sharing of Risk of Section 312 Rehabilitation Loans

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Assistant Secretary for Community Planning and Development

Section 312 Rehabilitation Loan Program; Announcement of Experiment in Local Approval Authority and Sharing of Risk

AGENCY: U.S. Department of Housing and Urban Development.

ACTION: Notice.

SUMMARY: The Department is announcing its intent to receive applications for an experiment in local approval of Section 312 multifamily loans. The experiment in delegation of local approval authority will be based upon an agreement by each participating locality to share in the risk of each Section 312 rehabilitation loan made under the program. Each loan will in part be financed by Section 312 funds and in part by local public funds with the local public loan subordinated to the Section 312 loan.

FOR FURTHER INFORMATION CONTACT: Dennis Manning, Rehabilitation Management Division, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, D.C. 20410. Phone number 202–755–5890.

1. *Purpose.* This Notice is to inform participating localities and HUD field staff of an experiment in local approval for multifamily lending under the Section 312 Rehabilitation Loan Program and to request applications from interested local public agencies (LPA's). This experiment will occur in Fiscal Year 1979.

2. *Background.* A significant increase in the scale of multifamily lending under Section 312 is planned for Fiscal Year 1979. Up to $60 million is available for multifamily lending in Fiscal Year 1979.

The Department encourages close incorporation of the Section 312 program with other rehabilitation activities being carried out by localities, especially those under the Community Development Block Grant (CDBG) program. The Department wishes as much as possible to provide for local management, decisionmaking, priority setting and responsibility for program operations under Section 312 as is the case under the CDBG program. It does not appear possible to implement a wide-scale use of local approval authority for the enlarged multifamily program in Fiscal Year 1979.

The Department would, however, like to execute an experimental, very small-scale use of local approval of multifamily loans on a "risk-sharing" basis in Fiscal Year 1979. An earmark of $3.5 million has been set aside for the risk-sharing experiment. Participation in the experiment will not result in reduction of the funds otherwise available for any participating locality. The Department is thus issuing this Notice to inform LPAs and ask for applications by those LPAs which may wish to participate.

3. *Description of the experiment.* The proposed experiment has the following characteristics:

a. A participating locality will be given a specific earmark of Section 312 funds for multifamily lending for Fiscal Year 1979. The target will permit easier work scheduling and setting of local priorities by the participating locality.

b. Instead of making case-by-case applications to a HUD office, the locality will be permited to assign its own priorities within existing program guidelines for funds and approve loans up to the target amounts.

c. The locality will perform all of the loan packaging, underwriting and approval functions either through its own staff or by using technical skills available in the private sector at the locality. HUD will provide technical assistance through its own staff to the degree that staff time and skills are available and may also provide such assistance through contract consultants, as long as adequate CDBG technical assistance funds for related planning, developing, and administering of community development block grants are available.

d. The rationale underlying the Department's permitting localities to underwrite and approve direct Federal loans to private individuals rests upon the assumption of a share of the risk for each loan by the locality. The locality must provide at least 20 percent of each loan from local public funds (e.g., mortage) of the locality to the HUD mortage. There will this be two separate rehabilitation loans for each property, a local public loan and a Section 312 loan. If there are two mortages, each will be recorded separately with the local public mortage subordinate to the Section 312 morgage. Each note and mortgage will be treated separately under State law exactly as would two private notes and mortages on the same real property, one subordinate to the other.

e. An agreement between HUD and each selected locality will set forth terms of the experiment and local approval authority (as described in paragraph 7).

f. Policies generally applicable to Section 312 mulfifamily loans (see Rehabilitation Financing Handbood, HUD 7375.1) shall apply also to loans approved under this experiment in risk-sharing.

4. *Application process.* The localities carrying out CDBG programs which wish the utilize Section 312 multifamily loan funds during Fiscal Year 1979 under the conditions specified above are invited to submit applications for selection by HUD upon the following terms. Any interested locality should communicate to the Department of HUD, Assistant Secretary for Community Planning and Development, 451 Seventh Street, S.W., Washington, D.C., 20410, Attention: Directory of Rehabilitation Management Division, Room 7164 (a copy of the application should be sent to the HUD Area Office) in writing within 21 days of this Notice the following:

a. The amount of funds based on the terms and conditions of the risk-sharing experiment that the locality needs and can obligate to multifamily loans in Fiscal Year 1979.

b. A commitment of the local matching funds and an acceptance of the level of risk required.

c. A brief managment plan describing how the locality will provide the underwriting and program management skill needed to use effectively the funds requested in Fiscal Year 1979.

5. *Criteria for selecting localities.* Proposals submitted according to the instructions contained in paragraph 4 above will be reviewed according to the following criteria:

a. The quality of the overall management plan including the adequacy of the locality staff or other arrangements made to secure the various skills needed to analyze, package and approve multifamily rehabilitation applications.

b. The past performance of the locality in implementing the Section 312 Rehabilitation Loan Program or other rehabilitation loan programs if there has been no experience with the Section 312 program.

c. Capacity to use the funds and need, including the relative distress of the locality.

6. *Other procedures for local approval.* The purpose of this Notice is to determine interest in the above experiment. In informal discussions, some localities have suggested that there might be alternatives to requiring a local public share which would equally well provide a basis for HUD delegation of approval authority to localities. The Department agrees that many alternatives may prove superior and

strongly encourages the development of additional approaches. To test other approaches to delegation of local approval authority for multifamily loans, the Department is considering a second competitive demonstration program utilizing Section 312 funds in which the selection process would be managed by the Assistant Secretary for Policy Development and Research. Further information will be made available at a later date. In order to assess the merits of such a demonstration, and to assist in its design, HUD invites localities, housing rehabilitation developers, and other interested parties to send their views, ideas and suggestions to the attention of the Assistant Secretary of PDR, no later than May 15, 1979.

7. *Agreement to implement multifamily risk-sharing demonstration.* The sharing demonstration will be implemented through individual agreements between participating localities and HUD. The agreements will state rights and responsibilities of each party, including but not limited to the following points:

a. Minimum files and records to be maintained by the participating locality.

b. A requirement that the local approving officer not have a direct involvement in the processing of loans.

c. Grounds for termination of agreement.

d. The right of the Department to supervise and inspect local performance.

Issued at Washington, D.C., April 4, 1979.

Robert C. Embry, Jr.,

Assistant Secretary for Community Planning and Development.

[Docket No. N-79-919]

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Friday
April 13, 1979

Part VII

Department of the Treasury

Comptroller of the Currency

Leasing of Personal Property by National Banks: Interpretive Rulings

DEPARTMENT OF THE TREASURY

Comptroller of the Currency

12 CFR Part 7

Interpretive Rulings; Leasing of Personal Property

AGENCY: Comptroller of the Currency.

ACTION: Final rule.

SUMMARY: This interpretive ruling states the requirements and limitations applicable to national banks engaged in the leasing of personal property. In light of recent leasing developments, the Comptroller determined that a reassessment and revision of current guidelines were necessary in order to clarify the conditions under which a national bank can engage in leasing activities. This ruling provides a detailed explanation of the type of leasing activities that are incidental to the business of banking, and it will serve as a visible standard for examination and enforcement purposes.

EFFECTIVE DATE: This ruling will become effective on June 12, 1979.

FOR FURTHER INFORMATION CONTACT: Thomas P. Vartanian, Attorney, Legal Advisory Services Division, Comptroller of the Currency, Washington, D.C. 20219, 202–447–1880.

SUPPLEMENTARY INFORMATION: On June 3, 1975, the Comptroller of the Currency published a proposed amendment of Interpretive Ruling 7.3400 governing the leasing of personal property by national banks. (40 FR 23874). That proposed amendment interpreted personal property leasing transactions to be extensions of credit subject to the limitations of 12 U.S.C. 84, and required that the transaction return to the bank its full investment in the leased property.

After analyzing 33 comments received in response to the publication of that proposed amendment, the Comptroller published a new proposed amendment of November 29, 1977 (42 FR 60749). A technical change in the proposal as it was printed on November 29, 1977, was published on December 1, 1977, (42 FR 61058) and the original 30-day comment period was extended to expire on February 12, 1978, by notice published December 29, 1977. (42 FR 64904).

The November 29th proposal indicated that a national bank could only become the owner and lessor of personal property upon the "specific request" of a customer. It also required the lease to be a net, full-payout noncancelable obligation of the lessee. The proposal sanctioned the use of closed-end leases by national banks, but limited the unguaranteed, estimated residual value relied upon by the lessor to 25 percent of the original cost of the property. It also permitted national banks to take certain protective actions which might otherwise be considered inconsistent with the requirements of a net, full-payout lease in the event of a distress situation, such as the lessee's default, to permit a bank to protect its assets and avoid financial loss.

The Comptroller received 29 comments in response to that proposal, the majority of which supported most of its provisions. However, many commenters raised probative questions and made constructive suggestions which facilitated the reviewing and revising process.

Discussion of Major Comments

Advertising of Leasing Activities by National Banks

Several commenters asked whether the requirement of Section (a) that a bank become the "owner and lessor" of personal property only at the "specific request" of a "customer" would prohibit the advertising of leasing activities by national banks. It is not the Comptroller's purpose to prohibit a bank from advertising its leasing activities or soliciting lease customers. The proposed language of Section (a) was primarily meant to prevent national banks from acquiring their own inventory of personal property to lease to the general public. Such an approach to leasing is more akin to the general merchandising or "rental" of personal property, rather than the offering of an alternative financing device equivalent to the loan of money on personal security, or other financial services incidental to the business of banking. In this respect, the Comptroller does not propose, by this ruling, to differentiate leasing from other permissible financing activities by prohibiting national banks from announcing their entrance or *general* participation in the leasing business as long as the emphasis is upon the availability of a financing device rather than the merchandising of a particular piece of property, and all of the other conditions of the ruling are met. *To clarify this purpose, the word "customer" has been eliminated from the final ruling. At the same time, to emphasize the prohibition against the inventorying of personal property, the ruling has been amended to permit a bank's acquisition of "specific personal property only at the request of the lessee."*

Indirect and Leveraged Leasing

A number of commenters suggested that the "specific request" language of Section (a) might be interpreted as prohibiting a national bank from becoming the owner and lessor of personal property by purchasing leases and the leased property from a dealer or seller-lessor. The Comptroller believes that indirect leasing is a common method of lease financing which, under certain conditions, is a permissible activity for national banks to engage in under the authority granted by 12 U.S.C. 24 (Seventh). Indeed, such indirect leasing activities of national banks were recently held to be permissible financing transactions incidental to the business of banking by the Circuit Court of Appeals for the Ninth Circuit in the case of *M & M Leasing Corporation v. Seattle First National Bank*, 563 F.2d 1377 (9th Cir. 1977), *cert. denied* 436 U.S. 956 (1978). *Consequently, Section (a) of the final ruling has been reworded and subdivided to clarify that a national bank may become involved in either direct or indirect leasing transactions.*

Leveraged lease transactions, by their nature, are generally more complex, multi-party agreements. Legal title to the leased property is usually vested in an owner-trustee rather than the bank. *Therefore, the ruling also has been modified to confirm that it is applicable where the bank, as an equity participant under a leveraged lease, is the "beneficial owner" of the property.*

Termination of a Net, Full-Payout Lease Prior to its Stated Maturity Date

Some commenters indicated that the requirement that a lease be a "full-payout, noncancelable obligation of the lessee" was confusing. For instance, one commenter pointed out that not all of the components of a full-payout investment recovery (*i.e.*, rentals, tax benefits and the residual value) technically represent "obligations of the lessee" as the sentence structure of Section (a)(2) may have suggested. Others argued that the ruling should not appear to preclude the early termination of a lease under circumstances where the bank can still retrieve 100 percent of its investment plus the cost of financing.

The purpose of the proposal, with respect to cancellation, was not to prohibit early termination of a lease as long as the *obligation* of the lessee under that lease was not cancelled. In other words, a lessee may have the option of terminating a net, full-payout lease prior to its maturity pursuant to the terms of that lease; however, to be consistent with the requirements of the

ruling, the lease would have to require the lessee to assure the lessor's recoupment of 100 percent of its investment in the leased property and the cost of financing, notwithstanding the lease's abbreviated duration. The unanticipated early termination of a lease of personal property executed by a national bank does not disqualify that lease as a permissible financing transaction of the bank as long as there is a viable guarantee of payments sufficient to yield a full-payout. *Section (a) of the ruling has been amended to clarify that the lease agreement, as a whole, and not each individual component of a full-payout recovery, should be a noncancelable obligation of the lessee, notwithstanding the possible early termination of the lease.*

Subleasing of Personal Property by National Banks

Some commenters suggested that the ruling did not address the question of whether national banks could sublease personal property. They argued that national banks should be permitted to do so as long as the terms of the sublease: (1) Obligate the sublessee to perform all of the obligations of the national bank under the main lease; (2) are substantially similar to those of the main lease; and (3) constitute a net, full-payout noncancelable obligation of the sublessee.

The Comptroller believes that subleasing is permissible under these conditions as long as it is used as an alternate form of financing for a customer and is otherwise consistent with the requirements of this ruling. *As rewritten, Section (a)(1) of the ruling permits national banks to sublease personal property since it does not require them to own the property they lease.*

The Limitations of a Net Lease

After reviewing the comments, the Comptroller believes that modifications in the proposed definition of a "net lease" are necessary to clarify that national banks may perform certain activities incidental to the execution of a lease which will not adversely effect the quality of that lease as a financing agreement.

The Comptroller received several comments on the question of whether subsections (b)(1) (i) and (ii) were intended to prohibit national banks from leasing improvements and upgrades incidental to the lease of personal property. The Comptroller understands that without the ability to purchase and lease improvements and upgrades, lease financing alternatives that could be offered by national banks might be severely limited or rendered noncompetitive. Moreover, current I.R.S. guidelines for advance tax rulings may, as a practical matter, prohibit the lessee from furnishing any part of the cost of improvements or additions to leased equipment if a favorable advance ruling is to be obtained. *See* Rev. Proc. 75–21, § 4(4) 1975–1 C.B. 716.

The Comptroller does not believe that the leasing of improvements or upgrades under a net, full-payout lease impairs the characteristics of that lease as an alternative financing transaction if the lessor leases the improvements or additions at the request of the lessee and is fully compensated for his additional investment over the remaining lease term. *Consequently, Section (b)(ii) of the ruling has been revised to allow national banks to let improvements or upgrades under a net, full-payout lease if the lease continues to have the characteristics required by this ruling.*

Many commenters were also concerned that the language of subsection (b)(1)(ii) would directly prohibit sale-and-leaseback transactions. The Comptroller does not believe that the existence of a sale-or-leaseback arrangement prior to the actual execution and commencement of a net, full-payout lease necessarily affects that lease's status as a permissible financing transaction. The Comptroller further understands that lessor banks very often require a lessee to take delivery of, and accept the equipment, before the bank will pay the purchase price and lease the equipment to the lessee. Banks use such procedures to protect themselves against the lessee's default or rejection of the property. This ruling is not intended to prohibit such precautionary procedures. Equipment lease transactions are generally simultaneously consummated at one lease closing, and the practical reasons which make it beneficial for the lessor to require delivery to, and acceptance by the lessee prior to final execution of the lease, or to initiate the transaction as sale-and-leaseback, do not necessarily affect the overall financing nature of the transaction. *Consequently, Section (b)(ii) of the ruling has been revised to eliminate the language which may have been interpreted as prohibiting these permissible methods of consummating a lease.*

The Extent to which National Banks May Provide Insurance for the Lessee

A significant number of comments suggested that the prohibition in subsection (b)(i)(iv) against lessor banks purchasing insurance for a lessee was too restrictive. Some commenters suggested that national banks should be permitted to arrange the purchase and financing of casualty and property insurance for their lessees under certain circumstances.[1] Those commenters felt that the proscription against the purchase of insurance by a bank should be reevaluated and revised to make it more accurately reflect its true purpose, that being merely to ensure that the *responsibility* for purchasing the insurance remains with the lessee since it is the *responsibility* for its purchase, and not necessarily the actual purchase of it, which is a primary incident of ownership that must be borne by the lessee under a financing type lease. In other words, it was suggested that national banks should only be prohibited from compelling a lessee to accept the mandatory and/or automatic inclusion of lessor-purchased insurance as a part of the lease product since, in that instance, the lessee's responsibility to maintain the insurance would be removed or reduced to a mere formality. Those commenters proposed that banks should be permitted to purchase insurance for their lessees as long as the lessee is given an option to purchase the insurance from the bank and specifically requests it.

The Comptroller does not believe that national banks should generally be permitted to purchase insurance for their lessees and offer that insurance as an incidental part of a lease of personal property. The rendering of such service responsibilities is more indicative of a mercantile-type "renting" of personal property where operational services are provided. Under a financing lease arrangement, the lessee's responsibility to provide insurance, similar to his responsibility to maintain the property, includes not only the commitment to pay for the service, but also the responsibility for locating, acquiring and rendering it. The attributes of ownership which pass to the lessee in a financing lease arrangement must go beyond the mere appearance of transference and impose substantive responsibilities of ownership upon the lessee while relieving the bank of them.

Notwithstanding the Comptroller's position on this issue, Section (b)(iv) of the ruling has been amended to remove certain restrictions considered unnecessary by the Comptroller. In the

[1] The discussion of insurance here in no way deals with a national bank's authority to act as an insurance agent. The discussion concerns only the bank's ability to act as an intermediary in the procurement of insurance coverage and the ultimate financer of that insurance.

situation where a lessee defaults on his agreement to purchase or maintain insurance, a national bank will normally have or seek to purchase insurance to protect its own interests arising out of its ownership of the leased property. Certain states, however, do not allow a lessor to purchase liability insurance solely for its own interest, but require it to purchase such insurance to protect the lessee also. *Therefore, the ruling has been reworded to permit a national bank to purchase insurance for the lessee and obtain subsequent reimbursement from him where the lessee has defaulted in his contractual obligation to obtain that insurance.*

Licensing and Registering of Leased Personal Property by National Banks

Section (b)(v), as proposed, would have prohibited all licensing or registration of leased property by a national bank lessor, merely as a service for the lessee, where the lessee could have licensed or registered the property without the authorization of the lessor. Many commenters felt that this provision was overly restrictive since it would have infringed upon a bank's ability to assure the safety and soundness of the transaction by arranging for the maximum protection and security of the leased asset. Since national banks own leased property, it was suggested that requiring lessees to license or register the property could, in some instances, have serious adverse effects on a bank's interest in that property if the process were incorrectly handled. *Consequently, the ruling has been amended to allow national banks to complete the original licensing or registration of the leased property and, where banks can demonstrate a legitimate interest as owner and financer of the property, to renew that license or registration.*

The Characteristics of a Full-Payout Lease

Several commenters inquired concerning the role of residual values in calculating a full-payout lease according to the requirements of subsection (b)(2) of the proposal. Some felt that the 25 percent reliance limitation of unguaranteed residual values was excessive and would encourage residual value speculation, which in turn would generate types of leasing not incidental to the business of banking. Other commenters found the limitation to be too restrictive, unrealistically low, and not responsive to the individual characteristics of the different types of assets that national banks can lease.

The Comptroller's proposal did not attempt to establish an immovable cap on a bank's reliance on the residual value which would be unresponsive to the type of lease or asset involved. Although the proposal did indicate that the unguaranteed, estimated residual value relied upon should never exceed 25 percent, it also stated that that estimated residual value should always be reasonable so that a bank's primary risk in the transaction would depend on the creditworthiness of the lessee and not on the market value of the leased item. The Comptroller views this as a dual standard which relies, in part, upon a bank's credit judgment. It is entirely possible that, depending on the circumstances and asset involved, the unguaranteed estimated residual value relied upon by the bank to yield a full-payout lease may be less than 25 percent of the original cost of the property, but still be unreasonable in terms of its realization and, therefore, contrary to the guidelines of this ruling.

On the other hand, the criticism that a 25 percent limitation is too restrictive must be evaluated in terms of the leasing activities in which national banks are permitted to engage. Based on current examination experience, the Comptroller believes that any reliance upon a residual value in excess of 25 percent may place a substantial reliance on the residual value and, therefore, transform the lease into a transaction beyond the scope of legitimate banking activity. Since leases, which are permissible for national banks, are alternative financing devices, the primary emphasis in the transaction must focus on the creditworthiness of the lessee. Where there is an excessive reliance on the residual value in order for the bank to recover its entire investment in the property, the lease takes on a speculative nature which shifts the bank's reliance for recovery from the lessee to the residual value of the leased property. In such a situation, the lease cannot be considered an alternative financing device since it involves an impermissible assumption of risk by the bank.

The final ruling adopts the 25 percent residual figure. However, in view of some of the comments submitted, the ruling has been amended to indicate more clearly that the 25 percent limitation established by subsection (b)(2)(iii) of the proposal will apply only to that portion of the residual value relied upon by the lessor in structuring a full-payout lease. It will not apply to the actual residual value that the leased property may have at the termination of the lease. Consequently, a national bank may execute a three-year lease of property estimated to have a residual value of 50 percent at the expiration of the term, as long as the residual value relied upon and added to the rentals and tax benefits to yield a full-payout lease, is reasonable and does not exceed 25 percent of the original cost of the property to the lessor.

National banks should estimate residual values reasonably by taking all relevant circumstances into account. In addition, they should closely monitor the aggregate amount of residual values which are expected to be realized in any one year, as well as residual concentrations in the same or similar types of leased property.

Many types of leases may produce favorable income figures in the early years of a lease term, but those figures may change significantly depending on the bank's estimation and manipulation of lease variables. In addition, an initial competitive advantage can be gained by the artificial inflation of residual values. However, improper and unreasonable leasing techniques may present banks with serious long-term problems because of (1) excessive aggregate reliance on speculative residual values which may be nonexistent at the expiration of the lease term, or (2) liberal, uncontrolled estimates of other lease variables such as sinking fund earning rates in leveraged lease calculations.

Future examinations of national banks will not only test basic credit decisions inherent in leasing transactions, but will also monitor any unreasonable aggregate reliance on speculative residual values and any improper manipulation of lease variables. The selection of an estimated residual value at an unreasonably high level may be considered an unsafe and unsound banking practice subject to administrative action under 12 U.S.C. 1818(b) *et seq.* if it cannot be shown that at the time of such selection, the bank made a good faith effort to be accurate and reasonable. *In view of the more appropriate placement of this caveat in this statement of basis and purpose, similar language has been removed from Section (b)(2) of the ruling.*

Several commenters inquired as to the type of "guarantee" which is required by the ruling in order to avoid the 25 percent residual value limitation. It was suggested that a "guarantee" should include any contractual guarantee by an independent third party which a bank can safely rely upon to realize the residual value of the property. The Comptroller agrees that any contractual right of the bank to require the purchase

of the leased property at the end of the lease term at an amount that would satisfy the yield requirements of a full-payout lease, or the purchase of insurance to guarantee the residual value and, therefore, the full-payout quality of the lease, should be considered satisfactory guarantees as long as the bank can demonstrate, through full documentation, that the guarantor will have the resources to meet that guarantee. *This interpretation has not occasioned any specific change in the wording of Section (b)(2).*

Some commenters inquired as to the definition of the term "rental" as it was used in Section (b)(2). They asked whether miscellaneous charges such as lease confirmation fees, early termination charges and property disposition fees could be included within the concept of "rent" since such miscellaneous payments to the lessor are not tax benefits or part of the estimated residual value.

The term "rental," as it is used in this ruling, includes only those payments that can be reasonably anticipated by the lessor at the time the lease is executed. Since contingencies such as early termination or return of the vehicle are not anticipated at the time the lease is executed, payments such as early termination charges and property disposition fees are not assured and may not be included in the computation of a full-payout lease at the time it is consummated. *This interpretation has not occasioned any specific change in the wording of Section (b)(2).*

Advice was also sought concerning the possibility of combining a reliance upon an unguaranteed residual value not in excess of 25 percent of the original cost of the property with a guarantee of the residual value by the lessee, manufacturer or an independent third party. Assuming the utilization of certain standards of safety and soundness, the Comptroller has no general objection to such a combination of methods in structuring a full-payout lease. *Section (b)(2) of the ruling has, therefore, been revised so as not to preclude the combination of a reliance upon an unguaranteed residual value not in excess of 25 percent with a guarantee of the residual value, as long as the estimated residual value relied upon is reasonable, and the bank has full documentation attesting to the ability of the guarantor to meet the guarantee.*

In response to inquiries concerning the calculation of the "cost of financing" as an element of recovery under the lease, the Comptroller notes the definition of that phrase which is found in Regulation Y (12 CFR 225.4(a)(6)(i)(d) n.6). *Section (b)(2) has been amended to include that definition and point out that if the calculation of the cost of financing according to that definition is troublesome in certain situations, a lease may be considered to have met the test for recovering the cost of financing if the bank's yield from the lease is equivalent to what the yield would be on a similar loan.*

Finally, a question was raised concerning a national bank's ability to purchase personal property leases mid-term. It is the Comptroller's opinion that as long as the purchased lease will be a net, full-payout lease with respect to the bank's rights and obligations under that lease, such mid-term purchases are not inconsistent with the concept of leasing and are, therefore, permissible activities for national banks. *This interpretation has not occasioned any specific change in the wording of Section (b)(2).*

The Effect of the Distress Clauses

Paragraphs (d) and (e) of the proposed ruling permitted a national bank to take certain actions normally considered inconsistent with the concept of a net, full-payout lease when, (1) in good faith, it believed that there had been a significant, unanticipated change of conditions which threatened its financial position by increasing its exposure to loss, and (2) its interest in the property was sufficient to justify such action. The Comptroller believes that a national bank should have the right to protect its assets (the leased property) where substantial unanticipated contingencies occur or become imminent. For example, a national bank should be permitted to service, repair or maintain leased property and purchase insurance where the lessee has failed in its responsibility to do so, or has otherwise abandoned the property or defaulted under the lease agreement. Moreover, a national bank which has taken an assignment of lease payments and a lien on the property as collateral for a loan to the lessor should not be prohibited from exercising a valid legal right to become the owner and lessor of the leased property in a distress situation, notwithstanding the absence of a request by the lessee. *These sections of the ruling have generally been retained as proposed; however, the prefatory language of Section (d) has been clarified to permit a national bank to take such protective actions where it has made a good faith determination that an unanticipated change threatens its financial position as the lessor or assignee of a lease by significantly increasing its exposure to loss.*

Several commenters indicated that they interpreted Section (d) as making the ruling applicable to situations where the lease and/or the leased property merely serve as collateral or the means of payment for a loan executed between a national bank and a lessor. Section (a) limits the applicability of the ruling to situations where the bank is the legal or beneficial "owner and lessor" of personal property, or has otherwise acquired the property for a lessee. Those situations will typically be direct lease transactions where the bank is the initial owner and lessor, indirect lease transactions where the bank purchases the leased property and the lease, subleasing arrangements, and leveraged leases where the bank is an equity participant. The mere assignment or use of the lease or the leased property as security for a loan constitutes a financial transaction which is technically beyond the scope of this ruling. The Comptroller believes that current statutes, regulations and rulings concerning the loan of money and the discount of commercial paper, together with applicable standards used to measure creditworthiness and other credit decisions, generally impose sufficient regulatory controls upon this type of lease note financing in most instances. However, where a national bank becomes involved in such a transaction and takes an assignment of lease payments and a lien on the property incidental to its execution of a nonrecourse loan to the lessor, such transactions may be scrutinized according to the spirit of this ruling if the bank cannot expect to fully recover its investment from that assignment of the lease rentals and will, therefore, have to rely on the residual value of the collateral to do so.

The Status of Nonconforming Leases

Several commenters questioned the practical effect of requiring nonrenewal of nonconforming leases. They pointed out that if one of the primary requirements of a personal property lease which a national bank may legitimately execute is the return of the bank's full investment plus the cost of financing, mandatory nonrenewal of nonconforming leases may result in the forced sale of the property under unfavorable market conditions and yield a depressed residual value. The comptroller basically agrees with that contention and believes that it is consistent with his responsibility to ensure the safety and soundness of national banks to permit the renewal of

nonconforming leases under certain circumstances. *Consequently, Section (h) of the ruling has been expanded to permit such lease renewals where a bank, in good faith, determines that renewal is necessary to recover its total investment plus the cost of financing and to avoid significant financial loss. However, that determination must be fully documented and will be examined as other credit-related decisions of the bank.*

When the Interpretive Ruling becomes effective, national banks will not be required to dispose of current nonconforming leases executed under the authority of former Interpretive Ruling 7.3400. However, when making new extensions of credit, including leases, to a customer, national banks must consider all outstanding leases regardless of the date they were entered into in calculating lending limitations imposed by 12 U.S.C. 84 and 371c, and other statutes, regulations and rulings.

Leases and Lending Limits

A few commenters suggested that the limitations of 12 U.S.C. 84 and 371c should not be applicable to lease obligations. They suggested that although a lease may serve as an alternative to secured lending, it has certain characteristics which make it fundamentally different from other forms of financing. More specifically, those commenters contended that because of the residual value of leased property and the fact that title remains in the bank, leasing may be a safer method of financing than conventional lending. In addition, where the residual value is guaranteed, it has been suggested that the bank may have more than one obligor to look to for satisfaction of the lease obligation.

The Comptroller does not believe that the differences between a lease and a loan with respect to a bank's investment of its funds based on the creditworthiness of a customer, are significant enough to warrant dissimilar treatment under 12 U.S.C. 84 and 371c. Moreover, the ownership of leased property, in terms of the ultimate recoupment of the lease obligation, does not differ significantly from the secured position of a bank in a loan agreement. Practically speaking, the intent of lending limitation statutes to prevent one individual, or a relatively small group, from becoming unduly obligated to the bank, could be easily circumvented by the execution of leases not subject to those limitations.

On the other hand, statutes such as 12 U.S.C. 85 and 86, which establish standards and penalties for usury, deal with typically loan-related problems which do not directly attempt to protect the soundness of the bank by limiting the financial risks which arise from excessive obligations to it. Therefore, the Comptroller believes that leases permitted by this section should not be subject to these two sections of the National Bank Act.

Several commenters asked how lease obligations should be computed for the purposes of 12 U.S.C. 84 and 371c. As noted in Interpretive Ruling 7.1150 (12 CFR 7.1150), the lending limit will apply to the amounts actually advanced by the bank and not to what may be considered the equivalent of interest in a lease which would accrue on those amounts. The amount of the loan, *i.e.*, the outstanding obligation under the lease, should be computed as the sum of the present value of both the lessee's payments and the residual value. The present value of these elements should be determined by using the "rate implicit in the lease" as that term is defined in Statement of Financial Accounting Standards No. 13 ("SFAS 13"). In calculating the outstanding obligation to the bank under a leveraged lease, the unamortized balance of the nonrecourse debt should be deducted from the present value elements.

The following example demonstrates this method of computing the lease obligation by allocating a portion of each payment to principal and reducing the loan balance by that amount. The column entitled, "Beginning of Year Loan Balance," represents the calculation of the lessee's obligation for lending limit purposes at annual intervals.

Lease Obligation Computation Example

Lease terms:	
Cost of property	$1,000,000
Length of lease	7 years
Expected residual value	100,000
Investment tax credit to lessor	100,000
Annual lease payment	[1]197,206
Rate implicit in the lease	[2]13.5%

Loan Balance

Year	Beginning of year minimum lease payments	Expected residual value	Total	Unearned income[3]	Beginning of year loan balance	Payments	
						Principal	Interest[4]
1	$1,380,442	100,000	$1,480,442	580,442	900,000	$75,706	$121,500
2	1,183,236	100,000	1,283,236	458,942	824,924	85,926	111,280
3	986,030	100,000	1,086,030	347,662	738,368	97,526	99,679
4	788,824	100,000	888,824	247,983	640,842	100,692	89,514
5	591,618	100,000	691,618	161,469	539,150	125,636	71,570
6	394,412	100,000	494,412	89,899	404,514	142,596	54,609
7	197,206	100,000	297,206	35,289	261,917	[5]161,117	[6]35,289
8	0	100,000	100,000	0	100,000	100,000	0
						900,000	580,442

[1] Payable at year end.

[2] The discount rate that, when applied to the lease payments and residual value, causes the aggregate present value at the beginning of the lease term to be equal to the fair value of the leased property, net of any investment credit retained by the lessor. (See ¶5k of SFAS No. 13).

[3] Includes $100,000 investment tax credit.

[4] Loan balance multiplied by 13.5%.

[5] Rounded by $69 to balance.

NOTE.—If this were a leveraged lease, the unamortized balance of any nonrecourse debt would be subtracted from the loan balance to determine the amount subject to the lending limits.

National banks are not required to maintain a separate record of these computations for what SFAS 13 classifies as leveraged or operating leases. In those cases, such a computation will only be required where it is evident from existing accounting records that the total amount of leases and loans is approaching or possibly could be in excess of a bank's legal lending limits. On the other hand, the book balance for capital leases will approximate the loan balance since the example follows SFAS No. 13's computational guidelines.

Discussion of Major Comments in Opposition to the Ruling

Relatively few comments were received which could be considered to be in complete opposition to the Comptroller's ruling permitting national banks to lease personal property under net, full-payout leases. Contrary to the assertions of those commenters, however, the Comptroller does not believe that leasing, as permitted by this section, is a mercantile rather than a financial transaction incidental to the business of banking. In the *M & M* decision, the Court supported the Comptroller's position and sanctioned national banks' involvement in direct and indirect, as well as open-end and closed-end leasing transactions, finding them to be the " 'business of banking' which 12 U.S.C. 24 (Seventh) authorizes * * * when, in the light of all relevant circumstances, the transactions constitute the loan of money secured by the properties leased." 563 F.2d at 1380.

Relationship to the Consumer Leasing Act of 1976

As is indicated in the ruling, nothing in this section should be construed to be in conflict with the duties, liabilities and standards imposed by the Consumer Leasing Act of 1976, 15 U.S.C. 1667 *et seq.* The provisions of this ruling may be tempered by otherwise applicable provisions of that Act when a national bank executes a consumer lease subject to it. Moreover, the Comptroller believes that the standard of "reasonableness" established by this ruling for estimated residual values is entirely consistent with the concept of the rebuttable presumption of reasonableness established by the Consumer Leasing Act. It must be noted, however, that this ruling is also applicable to a wide range of leasing activities which are not considered consumer leasing and must, therefore, address those activities as well.

Drafting Information

The principal drafter of this document was Mr. Thomas P. Vartanian, Attorney, Legal Advisory Services Division.

Final Ruling

In consideration of the foregoing, Part 7 of 12 CFR is amended by revising § 7.3400 to read as follows:

§ 7.3400 Leasing of Personal Property.

(a) A national bank may:

(1) Become the legal or beneficial owner and lessor of specific personal property or otherwise acquire such property at the request of the lessee who wishes to lease it from the bank; or

(2) Become the owner and lessor of personal property by purchasing the property from another lessor in connection with its purchase of the related lease; and

(3) Incur obligations incidental to its position as the legal or beneficial owner and lessor of the leased property;

if the lease is a net, full-payout lease representing a noncancelable obligation of the lease, notwithstanding the possible early termination of that lease.

(b) For the purposes of this ruling:

(1) A "net lease" is a lease under which the bank will *not*, directly or indirectly, provide or be obligated to provide for:

(i) The servicing, repair or maintenance of the leased property during the lease term.

(ii) The purchasing of parts and accessories for the leased property; however, improvements and additions to the leased property may be leased to the lessee upon its request in accordance with the full-payout requirements of this ruling.

(iii) The loan of replacement or substitute property while the leased property is being serviced.

(iv) The purchasing of insurance for the lessee, except where the lessee has failed in its contractual obligation to purchase or maintain the required insurance.

(v) The renewal of any license or registration for the property unless such action by the bank is clearly necessary to protect its interest as an owner or financer of the property.

(2) A "full-payout" lease is one from which the lessor can reasonably expect to realize a return of its full investment in the leased property plus the estimated cost of financing the property over the term of the lease from:

(i) Rentals;

(ii) Estimated tax benefits; and

(iii) The estimated residual value of the property at the expiration of the initial term of the lessee.

(The estimate by the lessor of the total cost of financing the property over the term of the lease should reflect, among other factors, the term of the lease, the modes of financing available to the lessor, the credit rating of the lessor and/or the lessee, if a factor in the financing, and prevailing rates in the money and capital markets. Where the calculation of the cost of financing according to this formula is not reasonably determinable, a lease may be considered to have met the test for recovering the cost of financing if the bank's yield from the lease is equivalent to what the yield would be on a similar loan). Any unguaranteed portion of the estimated residual value relied upon by the bank to yield a full return under this subsection shall not exceed 25 percent of the original cost of the property to the lessor. The amount of any estimated residual value guaranteed by a manufacturer, the lessee, or a third party, which is not an affiliate (as defined for the purpose of 12 U.S.C. 371c) of the bank, may exceed 25 percent of the original cost of the property where the bank has determined, and can provide full, supporting documentation, that the guarantor has the resources to meet the guarantee. In all cases, both the estimated residual value of the property and that portion of the estimated residual value relied upon by the lessor to satisfy the requirements of a full-payout lease must be reasonable in light of the nature of the leased property and all relevant circumstances so that realization of the lessor's full investment plus the cost of financing the property primarily depends on the creditworthiness of the lessee and any guarantor of the residual value, and not on the residual market value of the leased item.

(c) Full-payout calculations on leases of personal property to domestic governmental entities may be based on reasonably anticipated future transactions or renewals.

(d) If, in good faith, a national bank believes that there has been an unanticipated change in conditions which threatens its financial position by significantly increasing its exposure to loss, the limitations contained in paragraphs (a) and (b) of this section shall not prevent the bank,

(1) As the owner and lessor under a net, full-payout, lease, from taking reasonable and appropriate action to salvage or protect the value of the property or its interests arising under the lease, or

(2) As the assignee of a lessor's interest in a lease, from becoming the

owner and lessor of the leased property pursuant to its contractual right, or from taking any reasonable and appropriate action to salvage or protect the value of the property or its interests arising under the lease.

(e) The limitations contained in paragraphs (a) and (b) of this section do not prohibit a national bank from including any provisions in a lease, or from making any additional agreements, to protect its financial position or investment in the circumstances set forth in paragraphs (d) (1) and (2) of this ruling.

(f) Nothing in this section shall be construed to be in conflict with the duties, liabilities and standards imposed by the Consumer Leasing Act of 1976, 15 U.S.C. 1667 *et. seq.*

(g) Leases permissible under this ruling are subject to the limitations on obligations under 12 U.S.C. 84 and on extensions of credit under 12 U.S.C. 371c. The Comptroller of the Currency reserves the right to determine that such leases are also subject to the limitations of any other law, regulation or ruling which limits potential financial risks associated with other forms of bank financing.

(h) This section shall not apply to any leases executed prior to June 12, 1979. With respect to the applicability of subsection (g), when making new extensions of credit, including leases, to a customer, national banks must consider all outstanding leases regardless of the date they were entered into. Any lease which was entered into in good faith prior to such date which does not satisfy the requirements of the ruling may be renewed without violation of this section only if there is a binding agreement in the expiring lease which requires the bank to renew it at the lessee's option, and the bank cannot otherwise reasonably or properly avoid its commitment to do so, or the banks in good faith, determines and demonstrates, by full documentation, that renewal of the lease is necessary to avoid significant financial loss and recover its total investment plus the cost of financing.

Dated: April 10, 1979.

John G. Heimann,
Comptroller of the Currency.

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Federal Register

Friday
April 13, 1979

Part VIII

Department of the Treasury

Comptroller of the Currency

Fair Housing Home Loan Data System

DEPARTMENT OF THE TREASURY

Comptroller of the Currency

[12 CFR Part 27]

Fair Housing Home Loan Data System

AGENCY: Comptroller of the Currency.

ACTION: Proposed rule and proposed guideline.

SUMMARY: The Office of the Comptroller of the Currency proposes to issue a regulation and guideline aimed at providing a basis for a more effective fair housing monitoring program. The proposed regulation would establish new recordkeeping requirements and a data collection system for monitoring national bank compliance with the Fair Housing Act (Title VIII of the Civil Rights Act of 1968) 42 U.S.C. 3601 *et seq., and the Equal Credit Opportunity Act, 15 U.S.C.1691 et seq.* The issuance of this fair housing regulation will also assist in the implementation of certain parts of a settlement agreement made to resolve recent litigation against the Comptroller. The proposed guidelines is provided as an indication of how the Comptroller plans to implement the regulation.

DATE: Comments must be received on or before June 12, 1979.

ADDRESS: Interested persons are invited to submit written comments on the proposed regulation and guideline to Zina Greene, Director of Civil Rights, Office of Customer and Community Programs, Office of the Comptroller of the Currency, 490 L'Enfant Plaza, SW., Washington, D.C. 20219. All written comments should be submitted in duplicate and will be made available for public inspection.

FOR FURTHER INFORMATION CONTACT: Ms. Zina Greene, Director, Civil Rights Division or Mr. Patrick Marr, Civil Rights Program Specialist, Office of the Comptroller of the Currency, 490 L'Enfant Plaza, SW., Washington, D.C. 20219, (202) 447–0934.

SUPPLEMENTARY INFORMATION: The Office of the Comptroller of the Currency is responsible for assuring national bank compliance with the provisions of the federal fair housing and lending laws, as found in the Equal Credit Opportunity Act ("ECOA"), 15 U.S.C. 1691 *et seq.* and Title VIII of the Civil Rights Act of 1968, also known as the Fair Housing Act, 42 U.S.C. 3601 *et seq.* This regulation is being proposed by the Comptroller under its responsibility to monitor and enforce national bank compliance with these statutes.

Collectively, both Acts make it unlawful for a bank to deny a loan, to otherwise make unavailable a dwelling, or to discriminate in the fixing of the terms of a loan made for the purpose of purchasing, constructing, improving or maintaining a dwelling based on the race, color, religion, sex, or national origin of the loan applicant, any person associated with the applicant in connection with the loan, or the present or prospective owner, lessees, tenants or occupants of the dwelling or dwellings in relation to which the loan is made; or on the basis of marital status or age (provided the applicant has the capacity to contract), because all or part of the applicant's income derives from a public assistance program, or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act, 15 U.S.C. 1601 *et seq.*

In order to assure appropriate review of national bank compliance consistent with the Comptroller's statutory responsibilities, in order to comply with the terms and spirit of settlement agreement reached in *National Urban League, et al.* v. *Office of the Comptroller of the Currency, et al.* in the United States District Court for the District of Columbia (Civil Action No. 76–0718), in which the Comptroller stated his intention, among other matters, to develop a computer-based system to aid in the identification of discrimination by banks in the making of home loans, new recordkeeping procedures are proposed. In addition, monitoring information, formerly obtained by banks on a voluntary basis will now be required.

The Comptroller's objectives in this proposed regulation include:

(1) Providing adequate recordkeeping information for home loans to enable the Comptroller to determine compliance with the Fair Housing and Equal Credit Opportunity Acts;

(2) Minimizing the expense to national banks and to the Comptroller by limiting the amount of information which banks must compile and report;

(3) Developing a computer-based analysis system which can be individualized to accurately reflect lending patterns in each bank; and

(4) Supplying a timely analysis to the examiner prior to an examination in order to permit an efficient structuring of the fair housing segment of the examination through focusing on specific problem areas, if any, raised by computer-based analysis, and reducing the examination time where problems are not raised.

To assist in meeting the objectives in the development of the proposed regulation, the Comptroller has:

(1) Reviewed similar fair housing programs operated by the Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board (*See* 43 FR 11563, 22332);

(2) Studied the use of computer-based analyses of home loan data;

(3) Surveyed a sample of national banks of various sizes and from all regions of the country to determine current variations and similarities in processing home loan applications and in underwriting criteria used for decision-making; and

(4) Considered the estimated costs of compliance by obtaining actual costs based on a small sample of national banks, which included the costs of retrieving select home loan files, recording data on a home loan reporting form, and refiling the home loan files.

Summaries of the studies described in (3) and (4) above are available for public inspection.

As a result of these considerations, the Comptroller has decided to issue a regulation, together with an explanatory guideline, to establish a substitute monitoring program to that of the Board of Governors of the Federal Reserve System, as permitted by § 202.13(d) of Regulation B, 12 CFR 202.13(d).

The proposed regulation will apply to national banks and District of Columbia banks, and their subsidiaries, which make conventional credit available for the purposes of purchasing, permanent financing for construction, or refinancing a dwelling. The proposed regulation will apply to home improvement loans which are secured by a first lien on the dwelling; but will not apply to home improvement loans which are unsecured, or which are secured with a second lien due to the difficulty connected with obtaining reliable information as to the numbers and terms of such loans.

The proposed regulation has three principal parts. The first part, set forth in § 27.3(a), prescribes a brief Inquiry/Application Log containing information on the characteristics of applicants and in-person inquirers for direct purchase loans only, and of the location of the property which would secure the loan. This Log would allow an examiner easily to determine the magnitude of the bank's home loan activity, to locate specific loan files for analysis, and to monitor for possible pre-screening on a prohibited basis by providing a form of comparison between the characteristics of inquirers/applicants and the characteristics of the successful

applicants. It would also permit geocoding by zip code to assist the bank, as well as the examiner, in assessing local community credit needs and the bank's lending performance for purposes of the Community Reinvestment Act.

The second principal part, contained in § 27.3 (b) and (c), is the requirement that each bank obtain and maintain certain information in each home loan file. All of the 20 items which the Comptroller proposes to require under § 27.3(b) are on the Federal Home Loan Mortgage Corporation/Federal National Mortgage Association Residential Loan Application Form (FHLMC Form 65/FNMA 1003). This form is widely used and the required information is normally supplied to banks in the course of an application for a home loan.

In connection with the requirements of § 27.3(b), a bank is required to obtain or provide certain monitoring information and the race/national origin of the prospective applicant. Section 202.13 of Regulation B of the Federal Reserve Board, 12 CFR § 202.13, which is applicable to national banks, provides that this information be furnished on a voluntary basis. Because of the inadequate rate of response which has resulted from this voluntary provision, the proposed regulation will require that this information be furnished by the applicant, or where the applicant declines to furnish this information, by the bank of the basis of visual observation, surnames, or other available information.

In regard to the items required in § 27.3(c), ten of the eleven items, including the terms offered, disposition of the loan, final loan terms, and the appraised value of the property (where an appraisal is conducted), are items normally maintained by banks in home loan files. The only item required in § 27.3(c) which is not commonly maintained is "census tract", which would be required only if the property is located in a Standard Metropolitan Statistical Area (SMSA), if an appraisal had been conducted.

Approximately 2015 of the 4575 national banks are located in SMSAs. The previously mentioned survey of a sample of national banks indicates that 60% of banks in SMSAs maintain "census tract" data in the loan file. "Census tract" is the only geographic unit for which income and racial data is consistently and readily available to facilitate manual or computer analysis relating to the possible use by lenders of racial or national origin characteristics of a neighborhood in loan decisions or in terms of loans granted. The Comptroller recognizes the added burden that will be placed on approximately 40% of the 2015 banks located in SMSAs that will now be required to obtain census tract information. However, when this burden is balanced against the benefit to be derived from the census tract data through the facilitation of the detection of racial/national origin characteristics in lending practices, it appears to be in the best interests of furthering the goals of the fair housing compliance system to require that this data be obtained.

The third principal part of the regulation, contained in § 27.6 is a submission requirement designed to permit computer analysis of a statistical sample of applications. A bank with a substantial volume of home loans (and therefore amenable to computer analysis will be required, in advance of its consumer examination (approximately 12–18 months intervals), to record and submit information collected pursuant to § 27.3(b) and (c) from select loan files specified by the Comptroller. A bank with a small volume of home loans will generally not have submission requirements. The general policy for this procedure is described in the proposed guidelines.

The Comptroller underscores that this system is experimental, and its principal innovation will be an attempt to fashion the submission requirements to the particular facts and circumstances at each national bank. Therefore, the proposal provides flexibility for the Comptroller in determining which banks would be required to submit information, the frequency of the requests, the number of loan files from which information would be required, and the specific items of information to be included.

In addition, the Comptroller is simiultaneously proposing Guidelines which would assist national banks in meeting the requirements of the regulation, explain the general parameters for the expected submission requirements, and explain how the data would be used by bank examiners. When final regulation and guidelines are adopted, the Comptroller intends to intergrate them into an appropriate publication and make them available to all national banks and the public, at large.

Proposed Ruling

In consideration of the foregoing, the Comptroller of the Currency proposes to add 12 CFR Part 27 as set forth below.

PART 27—FAIR HOUSING HOME LOAN DATA SYSTEM

Authority: 15 U.S.C. 1691 et seq.; 12 U.S.C. 1818; 12 U.S.C. 1 et seq.; 12 U.S.C. 161; 12 U.S.C. 481; 42 U.S.C. 3605, 3608; 5 U.S.C. 301; 12 CFR 202.

Sec.
27.1 Scope.
27.2 Definitions.
27.3 Recordkeeping Requirements.
27.4 Record Retention Period.
27.5 Substitute Monitoring Program.
27.6 Availability and Submission of Data.
Guideline for the Fair Housing Home Loan Data System.

§ 27.1 Scope.

This part applies to the activities of national banks and banks located in the District of Columbia, or their subsidiaries, which make conventional credit available for the purposes of purchasing, constructing, or refinancing a dwelling. Loans which are made for the purposes of improvement, repair or maintenance of a dwelling and which are secured by a first lien on the dwelling, are within the scope of this part.

§ 27.2 Definitions.

For the purpose of this part, including all forms and instructions issued for use under this part:

(a) "Applicant" means a natural person, including a co-applicant, who makes an application.

(b) "Application" means an oral in-person or written request for an extension of credit for a home loan that is made in accordance with procedures established by a bank for the type of credit requested.

(c) "Bank" means a national bank or bank located in the District of Columbia, and any subsidiaries of such a bank.

(d) "Completed application" means an application in connection with which a bank has received all the information that it regularly obtains and considers in evaluating the amount and type of credit requested.

(e) "Conventional credit" means any mortgage loan which is not guaranteed or insured by the Federal Housing Administration, Veterans' Administration or Farmer's Home Administration.

(f) "Dwelling" means any building, structure (including a mobile home), or portion thereof which is occupied as, or designed or intended for occupancy as a residence by one or more natural persons, and any vacant land which is offered for sale or lease for the construction or location thereon of any such building, structure or portion thereof.

(g) "Home loan" means any extension of conventional credit for the purchase, permanent financing for construction, or the refinancing of a dwelling which is or will be comprised of one to four residential units, at least one of which the applicant intends to occupy as a principal residence, and which secures or will secure the extension of credit. Loans which are made for the purposes of improvement, repair or maintenance of a dwelling and which are secured by a first lien on the dwelling are included in this definition; such loans which are unsecured or secured by a second lien are not included.

(h) "Inquirer" means a natural person who makes an inquiry.

(i) "Inquiry" means an in-person* request for information about the terms of a home loan, in reference to a specific property, by a natural person on his/her own behalf which is received on a bank's premises by any person at the bank who customarily receives or is authorized to receive such requests.

(j) "Prohibited basis" means race, color, religion, national origin, sex, marital status, or age (provided that the applicant has the capacity to enter into a binding contract); the fact that all or part of the applicant's income derives from any public assistance program; or the fact that the applicant has in good faith exercised any right under the Consumer Credit Protection Act or any State law upon which an exemption has been granted by the Federal Reserve Board.

§ 27.3 Recordkeeping Requirements.

(a) *Fair Housing Lending Inquiry/Application Log.* (1) Each bank shall attempt to obtain and note all of the following information on the Fair Housing Lending Inquiry/Application Log (set forth as Appendix I) regarding each inquiry or application for the extension of conventional credit for the purchase of a one- to four-unit dwelling, one of which the applicant intends to occupy. This requirement does not apply to home loans for refinancing or construction.

(i) Date of the application or inquiry.

(ii) Full name(s) of the applicant/inquirer and address.

(iii) Indication of whether entry refers to an application or an inquiry.

(iv) Race/National Origin of the inquirer or applicant and co-applicant using the categories: American Indian, Alaskan Native; Asian, Pacific Islander; Hispanic; Black; White. This item shall be noted on the basis of visual observation, surnames, or any other information available.

(v) Sex of inquirer or applicant and co-applicant.

(vi) Location. Complete street address, city, county, state and *zip code* of the property which will secure the extension of credit.

(2) Each bank shall maintain the Log in each of its offices or offices of its subsidiaries where inquiries are answered or applications accepted.

(b) *Information required on completed applications for home loans.* (1) Each bank shall attempt to obtain all of the information listed below, as applicable, as part of completed applications for home loans, and each bank shall maintain the information obtained in its loan files.

(i) Loan amount requested by the applicant(s).

(ii) Interest rate requested by the applicant(s).

(iii) Number of months requested to maturity by the applicant(s).

(iv) Location. Complete street address, city, county, state and zip code of the dwelling which will secure the loan.

(v) Number of residential units (1–4) of the dwelling which will secure the loan.

(vi) Year built. The year in which the dwelling which will secure the loan was built.

(vii) Purpose of the loan. Purchase of dwelling; refinancing of existing home construction loan only; construction-permanent; other (to be specified).

(viii) Age of applicant(s).

(ix) Marital status of applicant(s) using the categories married, unmarried and separated.

(x) Number of years employed in present line of work or profession for the applicant(s).

(xi) Years on present job. Number of continuous years employed by the current employer for the applicant(s). For self-employed persons, the number of continuous years self-employed.

(xii) Gross total monthly income of each applicant, comprising the sum of normal base salary, wages, overtime pay, bonuses, commissions, dividends, interest, rental income, retirement or disability income and income from part-time employment. For self-employed persons, include the average or normal monthly income. Include alimony, separate maintenance and child support payment information only if the applicant has been advised that such information need not be provided and nevertheless elects to have it considered.

(xiii) Proposed monthly housing payment, comprising the sum of principal and interest, insurance, real estate taxes and any monthly assessments for home owner dues or condominium fees. This figure does not include utilities.

(xiv) Proposed monthly utility payments. This item must be requested and maintained only if the cost of utilities is considered in determining eligibility.

(xv) Purchase price. Sales price or approximate current market value of the property which will secure the loan.

(xvi) Applicant(s) total monthly payments on all outstanding liabilities. Include instalment debts, real estate loans and any alimony, child support or separate maintenance payments. Exclude any payments on liabilities which will be satisfied upon sale of real estate owned or upon refinancing of property associated with this application.

(xvii) New worth. Applicant(s) total assets, including cash, checking and savings accounts, stocks and bonds, cash value of life insurance, value of real estate owned, net worth of business owned, automobile, furniture and personal property and other assets, minus total liabilities, including instalment debts, automobile loans, real estate loans (except those which will be satisfied upon sale of real estate owned or upon refinancing of property associated with this application), and any other debts, including stock pledges.

(xviii) Date of application. The date which a completed application is received by the bank.

(xix) Sex of applicant(s).

(xx) Race/national origin of applicant(s) using the categories:

American Indian, Alaskan Native; Asian, Pacific Islander; Black; Hispanic; White; Other.

(2) *Disclosure to Applicant.* In collecting the information required under § 27.3(b)(1) (xix) and (xx), the bank shall advise an applicant that:

(i) The information regarding race/national origin and sex is being requested to enable the Office of the Comptroller of the Currency to monitor compliance with the Fair Housing and Equal Credit Opportunity Acts which prohibit creditors from discriminating against applicants on a prohibited basis;

(ii) The Comptroller of the Currency encourages the applicant to provide the information requested; and

(iii) If the applicant does not provide the information concerning race/national origin or sex, the bank is required to note the information on the basis of visual observation or surnames.

(3) If the applicant(s) does not voluntarily provide the information on sex and race/national origin which the bank is required to maintain under § 27.3(b)(1) (xix) and (xx), the bank shall

*Telephonic communications are excluded.

request the applicant to note that fact (by initials or otherwise) on the application, and the bank shall provide the information based on visual observation, surnames, or any other available information. If the applicant(s) does not voluntarily provide the information and does not initial, or otherwise note that fact, the bank shall initial, or otherwise note that fact on the application, as well as provide the information.

(c) *Additional information required in the loan file.* In addition to the information required by § 27.3(b), each bank shall maintain the following information in each of its home loan files:

(1) The applicant's name(s), which permits the file to be matched with the appropriate entry on the Fair Housing Lending Inquiry/Application Log.

(2) If an appraisal is completed:

(i) The appraised value, and

(ii) If the property is in a Standard Metropolitan Statistical Area, the census tract number.

(3) If final terms are offered, whether or not accepted:

(i) Loan Amount.

(ii) Whether or not private mortgage insurance is required, and if so, the terms.

(iii) The amount of required deposit balance, if any.

(iv) Simple Interest Rate.

(v) Number of months to maturity of the loan offered.

(vi) Points. Loan origination or discount fee(s) computed as a percentage of the loan amount.

(4) Disposition of Loan Application. The disposition of the completed applications using the following categories: Withdrawn *before* terms were offered; withdrawn *after* terms were offered; denied; or terms offered and accepted by applicant(s).

(5) Name or identification of the bank office where the application was submitted.

(6) Any additional information used by the bank in determining whether or not to extend credit, or in establishing the terms, including, but not limited to, credit reports, employment verification forms and Federal Income Tax Forms.

§ 27.4 Record Retention Period.

(a) Each bank shall retain the records required under paragraphs (a), (b) and (c) of § 27.3 for 25 months after the bank notifies an applicant of action taken on an application, after withdrawal of an application, or after the date of receipt of an inquiry. This requirement also applies to records of home loans which are originated by the bank and subsequently sold.

(b) The Comptroller of the Currency may, by written notice to a bank, extend the retention period.

§ 27.5 Substitute Monitoring Program.

The recordkeeping provisions of § 27.3 constitute a substitute monitoring program adopted under § 202.13(d) of Regulation B of the Federal Reserve Board (12 CFR § 202.13(d)). A bank collecting the data in compliance with § 27.3 of this Part will be in compliance with the recordkeeping requirements of §202.13 of Regulation B.

§ 27.6 Availability and Submission of Data.

(a) Each bank shall make all information collected under § 27.3 available for review at the bank to examiners of the Comptroller of the Currency upon request.

(b) Within 30 days from a bank's receipt of notification from the Comptroller, it shall complete and submit, on a form prescribed by the Comptroller, such of the data collected pursuant to § 27.3 (b) and (c) of this Part as the Comptroller shall specify in its notification. This notification will be made in advance of the consumer examination of banks. The Comptroller may, upon the request of a bank and for good reason, extend the 30 day period.

BILLING CODE 4810-33-M

Bank Name	COMPTROLLER OF THE CURRENCY FAIR HOUSING LENDING FAIR HOUSING LENDING INQUIRY/APPLICATION LOG SHEET	City
Branch or Office		County
		State SMSA

INSTRUCTIONS: Use the codes listed below in the appropriate columns. For the case identification column use an identifier, (name or number), which will permit each case file and each person to be readily identified or located.

RACE CODES
I American Indian or Alaskan Native
A Asian or Pacific Islander
B Black
H — Hispanic
W — White
O — Other

	Date of Application or Inquiry	Name(s) and Address	Appl. or Inquiry (A or I)	BORROWER		CO-BORROWER		LOCATION OF PROPERTY					
				Sex (F or M)	Race	Sex (F or M)	Race	No.	Street	City	County	State	Zip Code
1													
2													
3													
4													
5													
6													
7													
8													
9													
10													
11													
12													
13													
14													
15													
16													
17													

APPENDIX I

BILLING CODE 4810-33-C

Guideline for the Fair Housing Home Loan Data System

This Guideline indicates the general policies to be followed by the Comptroller of the Currency in connection with the enforcement of the Fair Housing Act, the Equal Credit Opportunity Act, and the Comptroller's proposed implementing regulation thereunder, 12 CFR Part 27, Fair Housing Home Loan Data System. The Guideline is intended to assist banks in understanding and meeting the requirements of the proposed regulation.

I. *Summary.*

The Comptroller believes that a combination of computer-assisted analytical techniques and direct bank examiner consideration of facts is essential to the effective enforcement of the fair housing and lending laws. In order to establish an effective enforcement program which minimizes the costs and burdens of such enforcement, a program has been developed which includes four elements.

A. Each national bank will be required to maintain a log prescribed by the Comptroller which will include information on each application and each in-person inquiry for a home loan.

B. Each national bank will be required to obtain and maintain certain specified data on each written application and to maintain, where applicable, additional data in the loan file.

C. A national bank with a substantial volume of home loan applicants will be required by the Comptroller to submit, upon notification and in advance of an on-site consumer examination, most or all of the required data on a specific number of applications for computer-based analysis. Analysis of the data prior to the examination will assist in setting the direction and scope of the subsequent on-site examination.

D. During on-site examinations, national bank examiners will utilize the analysis in reviewing a bank's compliance with the Equal Credit Opportunity and the Fair Housing Acts.

Each of these elements is discussed in more detail below.

II. *Fair Housing Lending Inquiry/ Application Log.*

Section 27.3(a) of the proposed regulations describes the information which must be maintained in the form of a log. The bank must maintain a log in each branch or office where in-person inquiries are answered or applications are accepted. The information in the log must be maintained for a period of 25 months from the date of the last entry, unless this period is extended by the Comptroller. Examiners will review these logs in conjunction with Fair Housing and Community Reinvestment Act examinations.

The log will allow an examiner to determine easily the magnitude of the bank's home loan activity, to locate specific loan files for analysis, and to monitor for possible pre-screening on a prohibited basis by providing a form of comparison between the characteristics of inquirers/applicants and the characteristics of the successful applicants. It will also facilitate geocoding by zip code to assist the bank, as well as an examiner, in assessing local community credit needs and the bank's lending performance for the purposes of the Community Reinvestment Act.

III. *Information Required in Home Loan Files.*

Section 27.3 (b) and (c) of the proposed regulations describe the data which must be obtained and maintained in each home loan file. Each of the required items is necessary for full analysis (computer-based and manual) to determine whether or not the home loan practices of the bank are in compliance with the Fair Housing and the Equal Credit Opportunity Acts.

The items required in § 27.3(b) are on the Federal Home Loan Mortgage Corporation/Federal National Mortgage Association Residential Loan Application Form (FHLMC Form 65/ FNMA 1003) which is widely used by banks. The items required in § 27.3(b) are shaded on a copy of the Residential Loan Application Form in Illustration I.

Each bank may use any loan application form it believes appropriate, but each bank must attempt to obtain and record the required information and maintain it in the loan file. The information need not be separately compiled or submitted except upon the notification from the Comptroller (see § 27.6 of the Regulations and Part IV below).

Section 27.3(b) (2) and (3) describe the monitoring information on race, sex, and national origin which was formerly voluntary but which now must be provided either by the applicant, or if applicant does not provide the information, by the bank on the basis of visual observation, surnames, or any other available information. A bank may provide the disclosure and request the information orally or through the use of a printed form. Each bank which uses the FHLMC/FNMA Residential Loan Application Form should change its forms to conform with the disclosure requirement in § 27.3(b)(2). The following language meets the requirements of § 27.3(b)(2) and has the approval of FHLMC/FNMA.

The following information is requested by the Federal Government if this loan is related to a dwelling, in order to monitor the lender's compliance with equal credit opportunity and fair housing laws. You are not required to furnish this information, but are encouraged to do so. The law provides that a lender may neither discriminate on the basis of this information, nor on whether you choose to furnish it. However, if you choose not to furnish it, under Federal regulations this lender is required to note race and sex on the basis of visual observation or surname. If you do not wish to furnish the above information, please initial below

BORROWER: I do not wish to furnish this information (initials)_____

RACE/ NATIONAL ORIGIN ☐ American Indian, Alaskan Native ☐ Asian, Pacific Islander ☐ Black ☐ Hispanic ☐ White ☐ Other (specify) _____

SEX: ☐ Female ☐ Male

CO-BORROWER: I do not wish to furnish this information (initials)_____

RACE/ NATIONAL ORIGIN ☐ American Indian, Alaskan Native ☐ Asian, Pacific Islander ☐ Black ☐ Hispanic ☐ White ☐ Other (specify) _____

SEX ☐ Female ☐ Male

Of the items required in § 27.3(c), only "census tract" is not commonly maintained in home loan files. However, it is required only in SMSA's and only if the application reaches the appraisal stage. Appraisers are familiar with census tracts and census maps. A space for "census tract" is on the standard FNMA appraisal form and the Federal Housing Administration (FHA) now requires "census tract" on all appraisals for insured 1–4 family home loans. Therefore, banks that are not currently recording census tract in the loan files may consider requesting it as a part of an appraisal.

IV. *Submission Requirements.*

Section 27.6 of the Regulation requires each bank, when notified by the Comptroller, to submit certain data for a specified number of applications. Each bank with a significant volume of home loan applications amenable to computer analysis will be required, at

approximately 12–18 month intervals in connection with scheduled consumer examinations, to complete and submit a home loan reporting form for each of a specified number of applications covering a specified period of time. This submission will normally cover only direct home purchases, but in some cases, based on volume of other types of loans, may also include data for refinanced loans or permanent construction loans. The home loan reporting form will contain all, or nearly all of the items required to be maintained in the home loan file in § 27.3 (b) and (c). Items which the Comptroller finds are not conducive to computer-based analysis will not be collected, but will be examined at the bank in the subsequent examination. Generally, banks with fewer than 50 applications a year will not be requested to submit reporting forms, but must maintain the information required in § 27.3 (b) and (c) in each file for examination in the bank by examiners.

V. *Computer-Based Analysis and On-Site Examination.*

OCC will review loan policies for indications of possible noncompliance with ECOA and the Fair Housing Act which require further investigation. With the assistance of computer-based analysis, the Comptroller will analyze the bank's lending decisions and terms in relation to the bank's stated policies and in relation to the requirements of ECOA and the Fair Housing Act. In the event that there are indications that the bank may not be in compliance, the system will highlight general areas of possible non-compliance, as well as individual cases, so that they can be reviewed by the examiner during the subsequent examination.

Identification and correction of specific and general areas of non-compliance remain the responsibility of each bank. Whenever a computer-based analysis is made, the Comptroller will discuss the analysis with the bank at the on-site examination to assist the bank in complying with ECOA, the Fair Housing Act and 12 CFR Part 27.

VI. Questions concerning the Comptroller's enforcement of Federal fair housing laws should be directed to the Regional Director of Customer and Community Programs in the Office of the Regional Administrator of National Banks for the region in which the bank is located, or to the Director, Civil Rights Program, Office of Customer and Community Programs, Office of the Comptroller of the Currency, 490 L'Enfant Plaza, SW., Washington, D.C. 20219.

BILLING CODE 4810-33-M

RESIDENTIAL LOAN APPLICATION

MORTGAGE APPLIED FOR	Amount	Interest Rate	No. of Months	Monthly Payment Principal & Interest	Escrow/Impounds (to be collected monthly)
☐ Conventional ☐ FHA ☐ VA ☐ _____	$	%		$	☐ Taxes ☐ Hazard Ins ☐ Mtg Ins ☐ _____

Prepayment Option

SUBJECT PROPERTY

Property Street Address	City	County	State	Zip	No. Units

Legal Description (Attach description if necessary) — Year Built

Purpose of Loan: ☐ Purchase ☐ Construction-Permanent ☐ Construction ☐ Refinance ☐ Other (Explain)

Complete this line if Construction-Permanent or Construction Loan ☞	Lot Value Data	Original Cost	Present Value (a)	Cost of Imps (b)	Total (a + b)	ENTER TOTAL AS PURCHASE PRICE IN DETAILS OF PURCHASE
	Year Acquired	$	$	$	$	☞

Complete this line if a Refinance Loan	Purpose of Refinance	Describe Improvements ☐ made ☐ to be made
Year Acquired / Original Cost / Amt. Existing Liens		
$ / $		Cost $

Title Will Be Held In What Name(s) — Manner In Which Title Will Be Held

Source of Down Payment and Settlement Charges

This application is designed to be completed by the borrower(s) with the lender's assistance. The Co-Borrower Section and all other Co-Borrower questions must be completed and the appropriate box(es) checked if ☐ another person will be jointly obligated with the Borrower on the loan, or ☐ the Borrower is relying on income from alimony, child support or separate maintenance or on the income or assets of another person as a basis for repayment of the loan, or ☐ the Borrower is married and resides, or the property is located, in a community property state.

BORROWER		CO-BORROWER	
Name	Age / School Yrs	Name	Age / School Yrs
Present Address — No. Years ____ ☐ Own ☐ Rent		Present Address — No. Years ____ ☐ Own ☐ Rent	
Street		Street	
City/State/Zip		City/State/Zip	
Former address if less than 2 years at present address		Former address if less than 2 years at present address	
Street		Street	
City/State/Zip		City/State/Zip	
Years at former address ☐ Own ☐ Rent		Years at former address ☐ Own ☐ Rent	
Marital Status ☐ Married ☐ Separated ☐ Unmarried (incl. single, divorced, widowed)	DEPENDENTS (NOT LISTED BY CO-BORROWER) NO. / AGES	Marital Status ☐ Married ☐ Separated ☐ Unmarried (incl. single, divorced, widowed)	DEPENDENTS (NOT LISTED BY BORROWER) NO. / AGES
Name and Address of Employer	Years employed in this line of work or profession? ____ years; Years on this job ____ ☐ Self Employed*	Name and Address of Employer	Years employed in this line of work or profession? ____ years; Years on this job ____ ☐ Self Employed*
Position/Title	Type of Business	Position/Title	Type of Business
Social Security Number***	Home Phone / Business Phone	Social Security Number***	Home Phone / Business Phone

GROSS MONTHLY INCOME

Item	Borrower	Co-Borrower	Total
Base Empl. Income	$	$	$
Overtime			
Bonuses			
Commissions			
Dividends/Interest			
Net Rental Income			
Other† (Before completing, see notice under Describe Other Income below.)			
Total	$	$	$

MONTHLY HOUSING EXPENSE**

Rent	$ (Present)	$ (Proposed)
First Mortgage (P&I)		$
Other Financing (P&I)		
Hazard Insurance		
Real Estate Taxes		
Mortgage Insurance		
Homeowner Assn. Dues		
Other		
Total Monthly Pmt	$	$
Utilities		
Total	$	$

DETAILS OF PURCHASE

Do Not Complete If Refinance

a. Purchase Price	$
b. Total Closing Costs (Est.)	
c. Prepaid Escrows (Est.)	
d. Total (a + b + c)	$
e. Amount This Mortgage	( )
f. Other Financing	( )
g. Other Equity	( )
h. Amount of Cash Deposit	( )
i. Closing Costs Paid by Seller	( )
j. Cash Reqd. For Closing (Est.)	$

DESCRIBE OTHER INCOME

B—Borrower C—Co-Borrower

NOTICE: † Alimony, child support, or separate maintenance income need not be revealed if the Borrower or Co-Borrower does not choose to have it considered as a basis for repaying this loan.

	Monthly Amount
	$

IF EMPLOYED IN CURRENT POSITION FOR LESS THAN TWO YEARS COMPLETE THE FOLLOWING

B/C	Previous Employer/School	City/State	Type of Business	Position/Title	Dates From/To	Monthly Income
						$

THESE QUESTIONS APPLY TO BOTH BORROWER AND CO-BORROWER

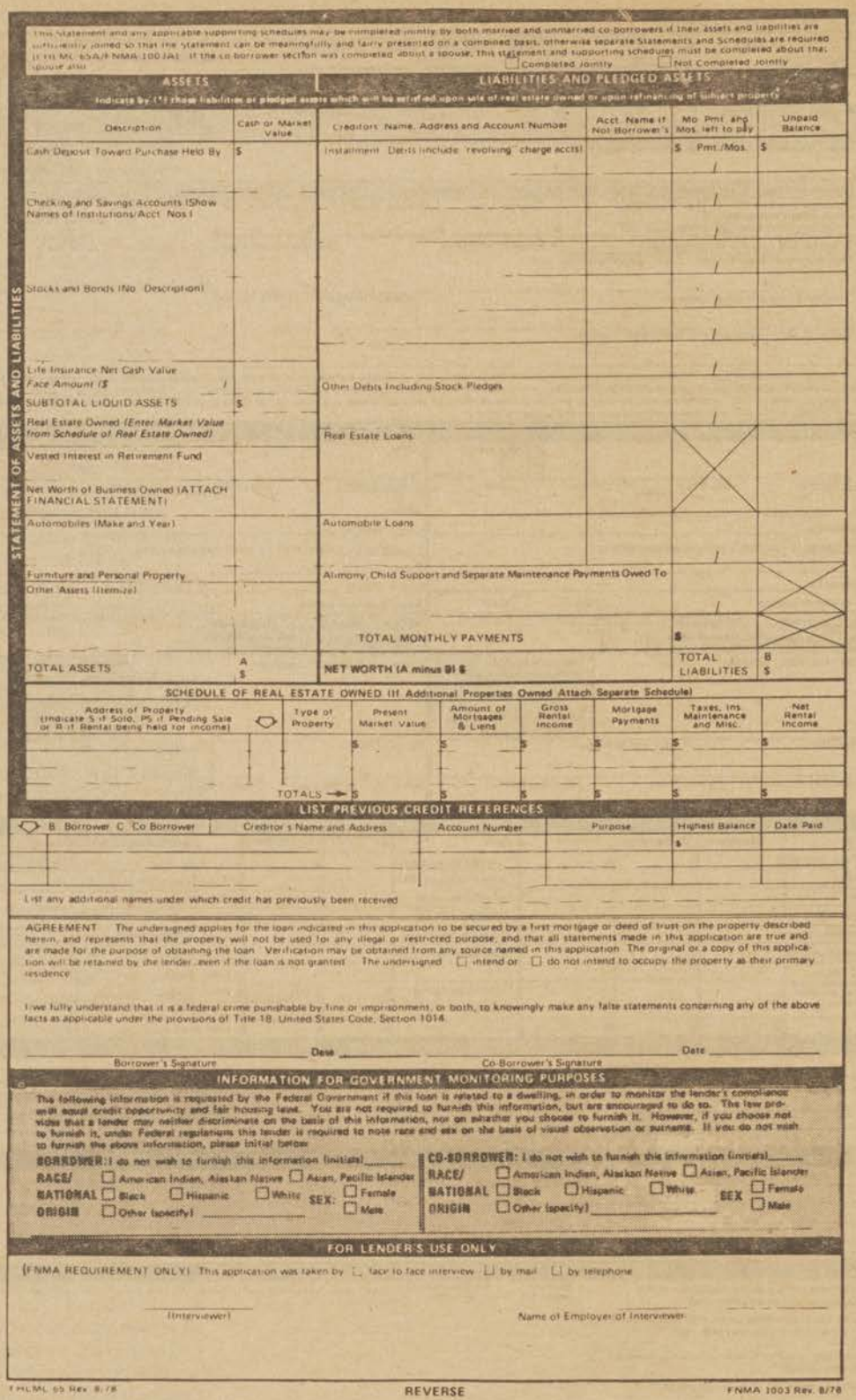
If a "yes" answer is given to a question in this column, explain on an attached sheet.	Borrower Yes or No	Co Borrower Yes or No	If applicable, explain Other Financing or Other Equity (or refer addendum if more space is needed)
Have you any outstanding judgments? In the last 7 years, have you been declared bankrupt?			
Have you had property foreclosed upon or given title or deed in lieu thereof?			
Are you a co-maker or endorser on a note?			
Are you a party in a law suit?			
Are you obligated to pay alimony, child support, or separate maintenance?			
Is any part of the down payment borrowed?			

*FHLMC/FNMA require business credit report, signed Federal Income Tax returns for last two years, and, if available, audited Profit and Loss Statements plus balance sheet for same period.

**All Present Monthly Housing Expenses of Borrower and Co-Borrower should be listed on a combined basis.

***Neither FHLMC nor FNMA requires this information.

FHLMC 65 Rev. 8/78 — FNMA 1003 Rev. 8/78



This Statement and any applicable supporting schedules may be completed jointly by both married and unmarried co-borrowers if their assets and liabilities are sufficiently joined so that the Statement can be meaningfully and fairly presented on a combined basis; otherwise separate Statements and Schedules are required. If the Co-Borrower section was completed about a spouse, this Statement and supporting schedules must be completed about that spouse also.

☐ Completed Jointly ☐ Not Completed Jointly

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

Description	Cash or Market Value
Cash Deposit Toward Purchase Held By	$
Checking and Savings Accounts (Show Names of Institutions/Acct. Nos.)	
Stocks and Bonds (No. Description)	
Life Insurance Net Cash Value	
Face Amount ($)	
SUBTOTAL LIQUID ASSETS	$
Real Estate Owned (Enter Market Value from Schedule of Real Estate Owned)	
Vested Interest in Retirement Fund	
Net Worth of Business Owned (ATTACH FINANCIAL STATEMENT)	
Automobiles (Make and Year)	
Furniture and Personal Property	
Other Assets (Itemize)	
TOTAL ASSETS	A $

LIABILITIES AND PLEDGED ASSETS

Indicate by (*) those liabilities or pledged assets which will be satisfied upon sale of real estate owned or upon refinancing of subject property.

Creditors Name, Address and Account Number	Acct. Name if Not Borrower's	Mo. Pmt. and Mos. left to pay	Unpaid Balance
Installment Debts (Include "revolving" charge accts)		$ Pmt./Mos.	$
		/	
		/	
		/	
		/	
		/	
		/	
Other Debts Including Stock Pledges		/	
Real Estate Loans		/	
		X	
Automobile Loans		/	
Alimony, Child Support and Separate Maintenance Payments Owed To		/	X
TOTAL MONTHLY PAYMENTS		$	X
NET WORTH (A minus B) $		TOTAL LIABILITIES	B $

SCHEDULE OF REAL ESTATE OWNED (If Additional Properties Owned, Attach Separate Schedule)

Address of Property (Indicate S if Sold, PS if Pending Sale or R if Rental being held for income)	Type of Property	Present Market Value	Amount of Mortgages & Liens	Gross Rental Income	Mortgage Payments	Taxes, Ins. Maintenance and Misc.	Net Rental Income
		$	$	$	$	$	$
TOTALS →		$	$	$	$	$	$

LIST PREVIOUS CREDIT REFERENCES

B, Borrower; C, Co-Borrower	Creditor's Name and Address	Account Number	Purpose	Highest Balance $	Date Paid

List any additional names under which credit has previously been received

AGREEMENT: The undersigned applies for the loan indicated in this application to be secured by a first mortgage or deed of trust on the property described herein, and represents that the property will not be used for any illegal or restricted purpose, and that all statements made in this application are true and are made for the purpose of obtaining the loan. Verification may be obtained from any source named in this application. The original or a copy of this application will be retained by the lender, even if the loan is not granted. The undersigned ☐ intend or ☐ do not intend to occupy the property as their primary residence.

I/we fully understand that it is a federal crime punishable by fine or imprisonment, or both, to knowingly make any false statements concerning any of the above facts as applicable under the provisions of Title 18, United States Code, Section 1014.

_____ Date _____ _____ Date _____
Borrower's Signature Co-Borrower's Signature

INFORMATION FOR GOVERNMENT MONITORING PURPOSES

The following information is requested by the Federal Government if this loan is related to a dwelling, in order to monitor the lender's compliance with equal credit opportunity and fair housing laws. You are not required to furnish this information, but are encouraged to do so. The law provides that a lender may neither discriminate on the basis of this information, nor on whether you choose to furnish it. However, if you choose not to furnish it, under Federal regulations this lender is required to note race and sex on the basis of visual observation or surname. If you do not wish to furnish the above information, please initial below.

BORROWER: I do not wish to furnish this information (initials)_____
RACE/ NATIONAL ORIGIN: ☐ American Indian, Alaskan Native ☐ Asian, Pacific Islander ☐ Black ☐ Hispanic ☐ White ☐ Other (specify) _____
SEX: ☐ Female ☐ Male

CO-BORROWER: I do not wish to furnish this information (initials)_____
RACE/ NATIONAL ORIGIN: ☐ American Indian, Alaskan Native ☐ Asian, Pacific Islander ☐ Black ☐ Hispanic ☐ White ☐ Other (specify) _____
SEX: ☐ Female ☐ Male

FOR LENDER'S USE ONLY

(FNMA REQUIREMENT ONLY) This application was taken by ☐ face to face interview ☐ by mail ☐ by telephone

_____ _____
(Interviewer) Name of Employer of Interviewer

FHLMC 65 Rev. 8/78 REVERSE FNMA 1003 Rev. 8/78

Dated: April 6, 1979.

John G. Heimann,

Comptroller of the Currency.

[FR Doc. 79-11549 Filed 4-12-79; 8:45 am]

BILLING CODE 4810-33-C