Regulatory Studies Program Comments on

Revisions to Federal Reserve Board Regulation B
Implementation of the *Equal Credit Opportunity Act*[*]
(Docket No. R-1008)

Executive Summary

The Regulatory Studies Program at the Mercatus Center of George Mason University is pleased to offer the following analysis and comment on the Federal Reserve Board's proposed modifications to its Regulation B, which implements the *Equal Credit Opportunity Act* (ECOA). Our analysis suggests that the Board's proposed modifications offer little substantive benefit; while at the same time they impose additional costs on banks and credit consumers.

The evidence we have been able to uncover suggests there is no pattern of widespread or pervasive discrimination in the application for or availability of credit in the United States. To be sure, individual cases of discrimination do indeed still occur, but the incidence of such discrimination is rare. The apparent intent of the proposed revisions to Regulation B is to enhance the federal financial regulatory agencies' ability to search for cases of discrimination. However, the proposed changes raise costs for everyone—a relatively small amount for most creditors but perhaps a considerable amount for some.

In particular, we estimate the on going costs of the proposed modifications to Regulation B to range from $500,000 to $2,100,000 annually. Moreover, OMB's standard discount rate of seven percent produces a present value of these cost estimates that ranges between $7.1 million and $30.0 million. Such costs ultimately are borne by American borrowers. A pivotal question therefore is whether the proposed revisions enhance regulators' ability to detect and ultimately discourage discrimination sufficiently to justify additional regulatory costs. Our analysis suggests that they do not. We therefore urge the Board to abstain from further changes to Regulation B.

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I. Introduction

Regulation B implements the *Equal Credit Opportunity Act* (ECOA), which prohibits creditors from discriminating against a credit applicant based on race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to contract), receipt of public assistance benefits, or good faith exercise of a right under the *Consumer Credit Protection Act*. The regulation implements the prohibition against discrimination primarily through a mandatory list of do's and don't's, the most notable of which is a general prohibition against the collection and use of information on an applicant's personal characteristics in most credit transactions.

The Federal Reserve Board periodically reviews its regulations to adapt to market developments. As part of that process, it undertook a comprehensive review of Regulation B. The Board now proposes several revisions to the regulation. The major revisions are (1) removal of the general prohibition against the collection–but not the consideration–of information of applicants' race, color, religion, national origin, and sex; (2) an increase in the record retention period for most business credit applications; and (3) a new record retention requirement for pre-approved credit solicitations.

The apparent intent of these revisions is to increase the ability of the federal financial regulatory agencies to search for cases of discrimination in granting credit. Neither the need for greater surveillance nor the effectiveness of the proposed revisions in detecting discrimination is justified in the proposal. On the contrary, available studies provide little evidence that discrimination by creditors is widespread or pervasive. There is no evidence suggesting that these revisions are likely to lead to detection of many individual cases of discrimination. In addition, the revisions are not likely to be a significantly greater deterrent to discrimination, considering the substantial resources that the federal financial regulatory agencies currently devote to ensuring compliance with fair lending laws. Instead, the changes will likely result in higher compliance costs for creditors with little promise of greater credit availability to creditworthy borrowers belonging to ECOA-protected groups.

The following analysis focuses on the three major proposed revisions of Regulation B. It does not address the other proposed revisions, which tend to be more technical in nature and do not have a significant affect on regulatory burden.

II. Removal of the Prohibition of Collection of Personal Data

The proposed removal of the general prohibition against collecting information on an applicant's race, color, religion, national origin, and sex likely would not increase availability of credit to creditworthy borrowers belonging to ECOA-protected groups. There is little evidence of widespread or pervasive discrimination against ECOA-protected groups in consumer credit markets (Elliehausen and Durkin 1990) or in mortgage markets (US General Accounting Office 1996). Statistical analyses have been unable to provide much evidence of systematic discrimination. Moreover, regulatory compliance examinations have produced only a handful of individual cases of possible discrimination. In about 5,000 examinations of banks and thrift institutions in 1994, for example, federal bank regulatory agencies found fewer than two dozen violations of Regulation B involving discrimination on the basis of race or sex (US General Accounting Office 1996, p. 90). The lack of statistical evidence of discrimination and the small number of individual cases suggest that practically all creditworthy borrowers belonging to ECOA-protected groups already receive the amount of credit that they seek and for which they qualify.

When discrimination does occur it tends to be rare, and in any event, it does not appear to be institutionally endemic. However, this should not be taken as suggesting that discrimination does not occur in individual cases. The proposed changes to Regulation B are unlikely to uncover many individual cases of discrimination. In mortgage lending, contrary to the general rule, collection of data on applicants' sex, race, and national origin is required, and this experience suggests that collection of data on personal characteristics may not help identify many cases of possible discrimination on non-mortgage credit applications. Bank regulators have made considerable effort to find cases of discrimination in mortgage lending; adopting a labor-intensive and time-consuming process of comparing files of otherwise similar ECOA-protected and unprotected applicants to look for differences in treatment. In recent years, statistical models designed to predict whether an application is approved or denied have aided this process. Loans that are accepted or rejected contrary to the predictions of the model are examined further to determine whether the applicants' sex, race, or national origin may have played a role in the decision.

Compliance examinations have produced many false positives but few cases in which discrimination may actually have been involved. Federal bank regulatory agencies do not publish statistics summarizing the results of these examinations, but agency referrals of possible discrimination to the Department of Justice (which are mandated by the *Federal Deposit Insurance Corporation Improvement Act* of 1991) are suggestive.[1] In about 5,000 examinations annually between 1992 and 1995, there were 51 referrals, nine of which were dismissed because no cause was found or information was insufficient (US General Accounting Office 1996, pp.39 ff).[2] The 42 cases that were not dismissed amount to an average of 10.5 cases of possible discrimination per year, or about 0.2% of the 5,000 examinations in a year.

A. Incentives for Data Collection Missing

It is unlikely that allowing creditors to collect information on applicants' personal characteristics will enhance the federal financial agencies' ability to enforce the ECOA. The proposal has suggested that some creditors may choose to collect information on

[1] Benston (1999) has called for a systematic study of examination results, which should be presented in a report, much as the Home Mortgage Disclosure Act denial data are now reported.

[2] The incidence of possible discrimination is not much greater when actions of the Justice Department are added; The Justice Department independently brought seven actions between 1992 and 1995. All of these cases have been settled by consent agreements. None have gone to court

personal characteristics of applicants for non-mortgage credit in order to monitor their own compliance with fair lending laws and to assist their marketing efforts directed at ECOA-protected groups. There are several reasons for believing that the few creditors would willingly collect such information since they are unlikely to risk offending potential customers in order to obtain sensitive data. In addition, a substantial portion of non-mortgage credit applications (e.g., credit cards) arrives in the mail, is generated through brokers (e.g., automobile credit), or arrives via the Internet–making observation of personal characteristics impossible. Requesting that applicants supply personal information on race, color, religion, national origin, and sex is likely to be regarded by many applicants as intrusive and unwarranted. Many may refuse to provide the information. Choice of mode of application and refusal to supply information may be correlated with personal characteristics. For example, applicants believing that they might be turned down because of their personal characteristics might choose a mode that would not allow observation of personal characteristics. Such correlation of missing data with personal characteristics, would produce a biased sample (i.e., not representative of the population of applicants), making it unreliable for monitoring compliance with fair lending laws or marketing to ECOA-protected groups.[3]

The proposed revision provides creditors no incentive to collect data on non-mortgage credit applicants' personal characteristics, notwithstanding questions about the data's reliability. Considering the rarity of actual cases of discrimination and the cost of investigating apparent disparities of treatment, it is unlikely that many creditors would find the effort worth the expense. Moreover, a creditor's investigation would risk legal action. A plaintiff or regulatory agency may obtain the findings of a creditor's investigation and use them to prosecute the creditor for any statistical violations that may be found.

Creditors that are depository institutions do not need data on non-mortgage credit applicants' personal characteristics to demonstrate compliance with the *Community Reinvestment Act*, which requires them to serve the credit needs of low- and moderate-income areas in their markets. Creditors currently may collect information on the location of applicants for all types of credit, and this location information is sufficient to demonstrate an institution's lending in low- and moderate-income areas. Unreliable data on personal characteristics of applicants would not help an institution document compliance with the act.

Many creditors commenting on this proposed revision expressed concern that if the prohibition on collecting the data were removed, federal financial regulatory agencies and others would pressure them to collect the data. This concern is legitimate. The proposal tends to reflect a effort to balance political interests rather than an analysis of the likely utility of data collection for enforcing the law. This suggests that the same considerations that gave rise to the revisions are likely to have a strong influence on regulatory behavior

[3] Making data collection mandatory would not in itself resolve the potential problem of biased data. Creditors could not observe the personal characteristics of applicants when applications are made through the mail, brokers, or the Internet.

if the revision were approved. Political interests that have called for data collection will not be satisfied with simply allowing creditors to collect the information; instead, they likely will continue to press for mandatory data collection. Moreover, the support of most of the federal financial enforcement agencies for the proposed revisions suggests that these agencies will insist that banks collect the data on non-mortgage credit applications.

B. Proposed Change Will Raise Costs

If banks collect personal data as part of their compliance activities, the cost of data collection and any activities that result from the data collection are incremental costs. Creditors' start-up costs would include managers' time designing the data collection program, revision of forms, and training. On-going costs would include

- staff time for recording the data (including explaining the purpose of the data collection to applicants and responding to applicants' complaints);
- staff time for processing and analyzing the data;
- data processing costs; and
- staff time associated with any use of the data in regulatory examinations.

In addition, collection of data on personal characteristics may expose creditors to increased exposure to litigation. Statistical differences in lending outcomes for ECOA-protected and unprotected groups may be interpreted as evidence of discrimination. Creditors can also be expected to incur legal expenses for dealing with litigation and threats of litigation because of this proposed revision.

Depending on the size of the creditor and the extensiveness of the data collection effort, costs could be substantial.[4] Probably very few, if any, creditors of their own initiative would choose to collect data on personal characteristics of applicants for non-mortgage credit. However, the number collecting data could be significant if federal financial regulators pressure creditors to do so. Thus, depending on the actions of the federal financial regulatory agencies, the aggregate costs of this proposed revision could be substantial. Perhaps more importantly, the distribution of burdens across creditors will tend to be quite unequal. Creditors that do not collect the data will incur no costs. Creditors that succumb to regulatory pressure to collect data may incur substantial costs.

C. Alternative Approaches

Since the goal of enhancing credit availability for creditworthy borrowers belonging to ECOA-protected groups is laudable, and the punitive approach adopted by the proposal is

[4] Available evidence suggests that fair lending regulations are costly, and data collection is prominent among the requirements of these regulations. Estimates of regulatory costs do not break out the costs of data notation for mortgage applications, however. See Elliehausen (1998).

unlikely to achieve this end, it would be desirable to find an alternative means of promoting the goal, or at least where the proposed rules have a chance of being beneficial. One possible way to promote credit availability is to encourage the use of multiple credit evaluation models. The continued prohibition on use of data on applicants' personal characteristics in credit evaluation precludes this possibility. Developing different credit evaluation models for different groups of applicants might provide more accurate assessments of creditworthiness. With more accurate models, creditors could accept more applicants belonging to protected groups without increased credit risk.[5] Indeed, some community lending advocates seem to advocate this position. They suggest that characteristics indicating creditworthiness for the general population may be different from characteristics indicating creditworthiness for applicants belonging to certain protected groups. They argue that conventional lending criteria may be unnecessarily strict when applied to these protected groups.

The practice of using different credit evaluation models for different groups is widespread. Whenever a creditor uses a credit bureau risk scores, it is using multiple credit evaluation models. The current Fair Isaac credit bureau risk scores are based on 10 separate models, and the new version of risk scores will be based on 18 models (Fair Isaac and Company 1999). The developers of these models have found that factors predicting performance of borrowers differ depending on whether the borrower had previous delinquencies, the number of credit accounts in the file, the age of the file, and the age of the most recent account. Thus, a different model is used to evaluate applicants with previous serious delinquencies than applicants with no previous serious delinquencies, for example. Using a separate model for applicants with previous serious delinquencies predicts future behavior of such applicants better that a single model that does not consider previous delinquencies. Thus, holding credit risk constant, more applicants with previous serious delinquencies would be accepted using a separate model.

Whether information on applicants' personal characteristics would increase credit availability for ECOA-protected groups is an empirical question, and existing evidence is limited. Using data on credit card applicants from the early 1970s, Chandler and Ewert (1976) found that separate credit evaluation models for women and men were more precise—and thus for a given level of risk allowed acceptance of more women—than a single model for both groups. An explanation for this result is that the characteristics of women and men related differently to payment performance. For example, low income was a less important to payment performance for women than for men, even though a much higher percentage of women in the sample had low incomes. When sex was not considered, the estimated relationship between characteristics' performance reflected the behavior of the larger, male group. When separate models were estimated for women and men, the behavior of each group determined that group's relationship between characteristics and performance. Income, for example, had a relatively small weight for women and a large weight for men. Applicants' sex did not *per se* imply anything about

[5] The idea of developing separate credit evaluation models for ECOA-protected groups is not new. More than twenty years ago, a Federal Reserve staff attorney (Hsia 1978) argued that such models might enhance credit availability for ECOA-protected groups.

an applicant's creditworthiness. Rather, sex simply "signaled" the appropriate relationship between characteristics and performance (see Spence 1974). Depending on the level of credit risk, the model that considered sex accepted 20% to 50% more women applicants than the model that did not.

Chandler and Ewert's study was conducted many years ago and considered only one ECOA-protected characteristic. Virtually no other evidence exists (McCorkell 1994).[6] Data on race, color, and national origin are not available for non-mortgage credit (sex can generally be inferred from names). However, even for mortgage credit, evidence is not available despite the requirement that creditors collect and report it. Among the reasons for the lack of empirical analysis of the relationship of credit criteria to payment performance by borrowers' personal characteristics are the effort to match the data on personal characteristics to the performance data and the inability to use any of the results of analysis to pursue lending opportunities among ECOA-protected groups. Moreover, to implement separate credit evaluation models for non-mortgage credit applications from ECOA-protected groups, the problem of data reliability would still have to be addressed.

Allowing use of information on personal characteristics to improve predictions of credit risk for ECOA-protected groups would give a market incentive for creditors to provide additional credit to creditworthy applicants belonging to protected groups.[7] Considering that the available evidence suggests that discrimination is not very common in credit markets, market approaches are likely to have greater promise of promoting credit availability than further punitive measures, such as the ones in the Federal Reserve Board's proposed changes to Regulation B. As a matter of social policy, however, it may be more appropriate and desirable not to allow creditors to consider personal characteristics, regardless of the consequences. However, if one is disposed to permitting collection of data on personal characteristics, it would seem to suggest that such characteristics may need to be considered.

III. Increased Record Retention Period for Small Business Credit

A major proposed revision to Regulation B is an increase in the record retention period for credit applications of business with gross revenue of $1 million or less from 12 to 25 months. The purpose of the change is to provide more cases for the federal financial regulatory agencies to monitor and enforce compliance with the Equal Credit Opportunity Act.

[6] In some cases, separate models for ECOA-protected groups may not predict better other multiple models segmented based on criteria that are currently permitted under the ECOA. For discussion, see McCorkell (1999) and Martell *et al*. (1997).

[7] It is notable that the proposal extend coverage of Regulation B to pre-screened solicitations that increase credit availability: "Covering credit solicitations without providing many exceptions could have unintended consequences. For example, it could result in prohibiting practices that increase credit availability. Targeted marketing through pre-screened solicitations can effectively increase access to credit for consumers." (Board of Governors 1999, p. 44585). The proposal apparently did not consider solicitations aimed at ECOA-protected groups to be a problem.

Statistical analyses addressing discrimination in small business lending have only appeared recently (Cavalluzzo and Cavalluzzo 1998; Bostic and Lampani 1999; Cavalluzzo, Cavalluzzo, and Wolken 1999). These studies have found some significant differences between ECOA-protected and unprotected groups. However, the data available for such studies do not include information on some variables that creditors typically consider in evaluating credit applications for small businesses (owners' personal assets pledged as collateral, for example). These variables likely correlate with owners' personal characteristics. Hence, the studies are unable to provide conclusive evidence showing the presence or the lack of systematic discrimination against ECOA-protected groups in small business credit markets.

As before, there may be individual cases of discrimination even if the there is not a systematic problem in across the market as a whole. The frequency of cases of actual discrimination is not known. The federal financial regulatory agencies have not published any analyses of the results of their examinations of small business credit applications. Moreover, the proposal does not justify its need for the longer retention period. It does not discuss the extent of the problem, provide statistics on the number of creditors that cannot be monitored nor applications that cannot be matched, nor estimate the reduction in the number of creditors that cannot be monitored nor applications that cannot be matched from the longer record retention period from a longer record retention period.

The proposal dismissed creditor concerns about the space required to store documents and the costs associated with longer storage, arguing that these concerns are no longer compelling given technological advances and the use of electronic storage. This argument is premature. It is true that creditors are increasingly offering standardized business credit products and using credit-scoring models for evaluating applications for business credit. The major credit bureaus have begun developing credit reporting databases for businesses. These developments have reduced the amount of information required to evaluate credit applications and, thus, would tend to reduce the regulatory cost associated with a longer record retention period. Technological advances have not eliminated the need for documentation, however. Moreover, a substantial number of small business credit applications are still evaluated judgmentally.

Regardless of the method of credit evaluation, the amount of documentation supporting an application may be extensive (especially for larger credit amounts). Among the documents that may be required are pro forma financial statements, tax returns for several years, owners' personal financial records, and documents for taking security interest in business or personal assets. In most cases, these documents will be paper documents. It is highly unlikely that most creditors have sufficient unused storage space that would allow them to store the greater volume of documents without additional cost.[8]

[8] Even if some businesses have electronic versions of documents, it is unlikely that all of a creditors' customers use the same software or that the creditor can retrieve all types of electronic documents. Creditors could scan documents to store them electronically, but that would require additional labor expenses and perhaps expenses for acquiring scanning technology.

While it is true that technological advances in computers and electronic document storage and retrieval have been large and rapid, it does not necessarily follow from this observation that the record retention requirements will reap these benefits to the point where records retention costs are inconsiderable. Electronic storage and retrieval, while perhaps less expensive than paper storage, is not cost free. Allowances for acquisition, operation, and on-going maintenance and depreciation must be made.

In addition, much of the documentation that accompanies loan applications (e.g., tax returns, financial statements, signature sheets, etc.) is paper-intensive to begin with and such supporting documentation is customarily retained in and of itself. That is, even if a bank or other creditor were to record information from loan documentation electronically to facilitate credit evaluation, paper copies of all the associated documentation would be retained. The important point is, whether and for how long a bank chooses to retain such information beyond year-end requirements would no longer be a business decision but rather would be an incremental cost of regulatory oversight.

A rough estimate of the additional record retention costs is possible. According to the US Small Business Administration (1996), there were 22.5 million small businesses (firms with under 500 employees) in 1995. About 20% of these firms apply for credit during a year, 22% of which are turned down or limited (Elliehausen and Wolken 1995).[9] Following Smith (1977), we assume that creditors would not retain rejected applications beyond the current requirement in Regulation B. Using Smith's estimate of storage costs of $0.47 a year per account (in 1999 dollars), an estimate of between $500,000 and $2.1 million in additional record retention costs is obtained. Using OMB's standard seven percent discount rate suggests that these annual costs have a present value of between $7.1 million and $30.0 million.

At this time, the burden of this proposed requirement would likely be greater for small creditors than for large creditors. Large creditors likely benefit more than small creditors from development of standardized business loan products and credit scoring models. Large creditors may have sufficient volume of business credit to permit construction of their own application scoring models justify the fixed costs of developing standardized products and credit scoring models. Thus, large creditors may be able to reduce documentation requirements on a significant share of their business loans. Generic credit scoring models developed from credit bureau data would be available to small creditors, but their predictions may not be as accurate as predictions developed from a creditor's own applicant pool. Thus, small creditors using generic scoring models may rely more heavily on judgmental evaluation and documentation than large creditors using proprietary scoring models. Some small creditors, recognizing their cost disadvantage in developing standardized products, seek to serve small business customers that prefer (and are willing to pay for) customized credit products. The proposed changes would make this strategy relatively more expensive and add to the price small businesses pay for such credit.

[9] More recent data on applications and turndowns are not available. The 1993 National Survey of Small Business Finances asked about applications during a three-year period.

IV. New Record Retention Requirement for Pre-Approved Solicitations

The third major proposed revision is that creditors retain certain information related to pre-approved solicitation*s* for a period of 25 months. The information would include a (1) list of criteria used to select potential customers, (2) the text of the solicitation mailing, (3) correspondence to and from potential customers regarding complaints about the solicitation, and (4) the portion of the marketing plan to which the solicitation relates. The requirement that creditors retain a list of criteria used to select potential customers is also a requirement of the *Fair Credit Reporting Act* (15 U.S.C. 1681m(d)(3)).[10] The other information required by the proposal is not required by the *Fair Credit Reporting Act*. Thus, the proposed revision adds to existing information retention requirements for pre-screened solicitations.

Data retained under the *Fair Credit Reporting Act* on criteria used to select potential customers are currently available to examiners. The need for requiring additional information is not obvious. Federal Reserve Board staff has not provided an analysis of currently available data, nor has it explained why currently available data are inadequate for monitoring creditors' solicitation practices for illegal discrimination. Any benefits for enforcing the anti-discrimination provisions of Regulation B or enhancing credit availability from this proposal would seem small and uncertain.

This proposed revision would entail certain, albeit small compliance costs. Creditors may normally keep the additional information about solicitations for a period of time, but not necessarily all of the information for the length of time specified in the proposed revision. Creditors will have to establish procedures and assign responsibilities to employees to ensure compliance with this requirement. These activities would give rise to costs.

[10] The *Fair Credit Reporting Act* also requires retention of information on all criteria bearing on creditworthiness that are the basis for determining whether of not to offer credit and any requirement for the furnishing of collateral as a condition for the extension of credit. The act requires creditors to retain this information for three years.

V. Conclusion

The evidence we have been able to uncover suggests there is no pattern of widespread or pervasive discrimination in the application for or availability of credit in the United States. To be sure, individual cases of discrimination do indeed still occur, but the incidence of such discrimination is rare. The proposed revisions to Regulation B apparently are intended to enhance the federal financial regulatory agencies' ability to search for cases of discrimination. They raise costs for everyone–a relatively small amount for most creditors but perhaps a considerable amount for some. These costs ultimately are borne by American borrowers. A pivotal question therefore is whether the proposed revisions enhance regulators' ability to detect and ultimately discourage discrimination sufficiently to justify additional regulatory costs. Our analysis suggests that they do not. We therefore urge the Board to abstain from further changes to Regulation B.

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Appendix

Regulatory Studies Program Checklist

Federal Reserve Board Proposed Modification to Regulation B

(Docket No. R-1008)

Element	Agency Approach	RSP Comments
1. Has the agency identified a significant market failure?	The Federal Reserve Board suggests there remains a continuing, systematic pattern of discrimination in lending. It implies the modifications to Regulation B will alleviate this practice at little incremental cost. **Unsatisfactory**	While lending that is not based on criteria such as an applicant's race or sex for example is a laudable goal, the Board's changes to Regulation B may not achieve this end. No evidence is offered to support a claim of systematic discrimination, although individual cases can be cited. Also, alternative means exist through credit scoring to ameliorate remaining problems.
2. Has the agency identified an appropriate federal role?	Bank examination and regulation falls under federal jurisdiction and therefore under Federal Reserve purview. **Good**	The elimination of systematic credit discrimination would imply a role for Federal Reserve oversight, if such practices are in fact taking place.
3. Has the agency examined alternative approaches?	The general approach taken by the Board is to increase the scope and duration of Regulation B. **Fair**	The Board is to be commended for *not* placing additional pre-application screening activities under Regulation B purview.
4. Does the agency attempt to maximize net benefits?	The Board provides model forms that incorporate the changes it is suggesting for the rule modifications. **Fair**	The Board does not suggest that benefits will accrue from the changes to Regulation B. It does suggest that costs will be inconsequential and attempts further to minimize costs by offering model forms.

Element	**Agency Approach**	**RSP Comments**
5. Does the proposal have a strong scientific or technical basis?	The Board relies on circumstantial, and anecdotal evidence to suggest a pattern of systematic discrimination in bank lending practices. **Unsatisfactory**	The Board attempts to infer causation from a few cases involving individual discrimination, and from statistical correlations. Collection of applicants' characteristics is likely to be biased as will any inferences drawn from them.
6. Are distributional effects clearly understood?	The Request for Comments gives no indication that there may be distributional effects. **Unsatisfactory**	The incremental costs of the proposed rule changes are likely to fall disproportionately on small creditors. Small businesses may also see the cost of credit rise as these costs are absorbed.
7. Are individual choices and property affects clearly understood?	The Board's chief concern seems to be with the implementation of ECOA and its ability to monitor compliance among banks. **Unsatisfactory**	Non-punitive means of the achieving the Board's aims are not considered. Nor is the potential for individuals to re-optimize on non-regulated parameters considered. .