

**Federal Reserve**

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**Part V—Section F**  
**Federal Reserve**  
**System**

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**Consumer and Community Affairs Program**

## FEDERAL RESERVE SYSTEM

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Notice of Consumer and Community Affairs Program.

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A recent presidential action, Executive Order 12160, established a Consumer Affairs Council of Executive agency departments "to improve the management, coordination, and effectiveness of agency consumer programs" (44 FR 55787, September 28, 1979). These agencies were directed to prepare and publish draft consumer programs that would meet certain criteria specified in the order. Although not specifically represented on the Council, the Board is publishing a description of the components of its current consumer program, which it believes is in conformity with the President's order. The Board's report will include the areas noted in Section 1-4 of the Executive order: consumer perspective, consumer participation, informational materials, education and training, and complaint handling.

At the outset, mention should be made of the Board's Consumer Advisory Council, a forum that greatly enhances the Board's consumer and community affairs program. Creation of the Council was mandated by the Congress in the fall of 1976, at the suggestion of the Board. It was established to assist the Board in implementing legislation passed in the consumer credit protection area, and to advise and consult with the Board on any other consumer related matters.

The Council consists of approximately 30 individuals from all parts of the nation, representing a broad range of consumer and creditor perspectives. As such, it presents a unique mechanism for interaction between the Board and the public. Meetings of the Council are held quarterly and are open to the general public.

To date, the Council has considered a broad range of consumer issues, including implementation of the Electronic Fund Transfer Act and of the Board's responsibilities under the Federal Trade Commission Improvement Act to ban unfair or deceptive bank practices, cost-impact statements for Board regulations, uniform regulatory policies, right to financial privacy recommendations, and various issues concerning the implementation and enforcement of the Truth in Lending and Equal Credit Opportunity Acts.

### I. CONSUMER AFFAIRS PERSPECTIVE

The Board has assigned primary responsibility for consumer-related matters to its Division of Consumer and Community Affairs (DCCA). This division is charged with assisting the Board in seeing that the interests of savers and consumers are given adequate and specific attention in considerations leading to relevant Board decisions. In addition, the division is responsible for implementing a number of specific consumer-related programs mandated to the Board by

the Congress, as well as civil rights laws having to do with consumer credit.

Currently there are eleven major pieces of legislation for which the Board has rulewriting authority or enforcement responsibility or both. These include the Truth in Lending, Fair Credit Billing, Consumer Leasing, Equal Credit Opportunity, Home Mortgage Disclosure, Community Reinvestment, Federal Trade Commission Improvement, Fair Housing, Fair Credit Reporting, Fair Debt Collection Practices, and most recently, Electronic Fund Transfer Acts.

### Responsibilities

Generally the Board's responsibilities include (1) drafting, amending, and interpreting regulations that implement those laws; (2) developing and monitoring programs to enforce those laws with regard to state chartered banks that are members of the Federal Reserve System; (3) disseminating educational materials concerning the rights and responsibilities of creditors and consumers under those laws; and (4) administering its consumer complaint handling system.

The director of DCCA reports directly to the Board and is charged with making policy recommendations to the Board on matters involving consumer credit regulation, implementing Board policy directives, setting divisional priorities, and ensuring a high degree of inter- and intra-agency coordination, where appropriate, for both regulatory and compliance activities. The director monitors the Board's consumer programs, reviews proposed changes to or new consumer-oriented policy initiatives and communicates to the Board the potential effect that such actions may have upon consumers.

### Size and Resources

The Board's professional staff of consumer affairs personnel is centralized in the DCCA. The staff currently consists of 4 senior level officials, 16 attorneys, 7 review examiners, 2 consumer affairs specialists, 2 staff assistants, and other general program support and clerical personnel.

The Consumer and Community Affairs legal staff has major responsibility for drafting regulations and interpretations concerning eight of the statutes listed above. This staff is also responsible for advising state member banks and the System's consumer affairs bank examiners regarding the legal interpretations of the laws listed above. In addition, the staff analyzes proposed legislation in the consumer and civil rights areas that might affect the Board's work, and prepares testimony for Congressional hearings.

The division's staff of review examiners coordinates the consumer and community affairs compliance examination program by developing examination procedures and by reviewing, evaluating, and assisting in the regulatory and compliance activities in the Federal Reserve Bank districts. The staff reviews consumer and community affairs compliance examination reports submitted by the Reserve Banks to determine the quality of the examinations, and communicates its findings to the Reserve Banks. Based

upon review of the reports and application of the statutes and regulations, the staff develops programs to eliminate inconsistencies and enhance uniformity in compliance efforts in the banking community.

The division's consumer affairs specialists are responsible for handling complaints received from consumers regarding banks and a broad range of other creditors, including merchants. This includes advising Federal Reserve Bank staff members on questions concerning complaints, and following up Reserve Bank investigations to determine the resolution of complaints. They also respond directly to requests for information, statistics and advice from consumers, and persons in federal, state and local agencies, and in the private sector. In addition, these staff members compile data for annual reports to Congress and provide information regarding consumer complaints for use by the division officials and the Board in their deliberations.

The division's staff assistants handle requests for information related to the division's work that are filed under the Freedom of Information Act, and process the division's *Federal Register* notices for publication. Other duties include preparing the Board's Annual Reports to the Congress on Truth in Lending, Equal Credit Opportunity, and Section 18(f) of the Federal Trade Commission Improvement Act, occasional speechwriting, providing general information services to the public, and performing ad hoc projects as the need arises.

#### **Participation in Development and Review of Agency Rules, Policies, Programs and Legislation**

The director of the division informs the Consumer and Community Affairs staff of the opportunities for its participation in the proceedings of the Board with regard to consumer matters. The division's staff provides information and input during all stages of agency decisionmaking. Generally, the question, proposal, or subject at hand is researched by the staff. Staff knowledge and expertise is then used to develop staff recommendations for submission to the Board. This involves attending public hearings, reviewing written comments from the public, meeting with agency task forces and outside representatives, applying applicable laws and regulations, reporting findings to the division's director and other officials, preparing materials for and attending the Board meetings at which decisions are made, and finally, implementing those decisions with an eye toward future improvements or changes.

## **II. CONSUMER PARTICIPATION**

The Board has established procedures to ensure the opportunity for public participation in its rulemaking process (12 C.F.R., Part 226). Depending upon the circumstance, the opportunity for such participation is published in the *Federal Register* and in press release format. All press releases concerning consumer affairs proposals and other actions are routinely distributed to interested parties via a mailing list maintained by

the Board. Persons interested in being added to this list should contact the Board's Publications Services.

#### **Written Comments on Proposals**

Generally, the public is given 60 days after the proposal appears in the *Federal Register* to submit written comments or arguments concerning the material. The name and telephone number of the staff member handling the action appears in the *Federal Register* notice as well as in the press release so that question may be easily answered and additional information provided to interested members of the public.

After the comment period has closed, the Board's Division of Consumer and Community Affairs prepares for the Board a summary of the comments received. After reviewing and considering all comments received, the staff formulates recommendations and drafts language for the proposed or final regulations or amendments for submission to the Board. The staff is present at the Board meetings to explain its recommendations and to discuss considerations raised in the comment letters.

#### **Public Hearings**

In certain instances, the Board, either in response to a public request or on its own initiative, considers it appropriate to hold public hearings on a proposal. Whenever a hearing is ordered by the Board, notice is usually published in the *Federal Register* no less than 20 days prior to the hearing and notice appears in the form of a press release. Persons interested in testifying at the hearing are instructed to contact the Board in advance of the hearing so that appropriate scheduling can be handled. Transcripts are made of all public hearings, which become part of the public record and are used by the DCCA's staff during their deliberations on the proposals.

## **III. INFORMATIONAL MATERIALS**

Consumers' awareness of their rights and responsibilities under the credit laws and regulations is a continuing concern of the Federal Reserve Board. To further this awareness, the Board and the Reserve Banks have prepared, and continue to prepare, written and audiovisual materials covering a range of topics of interest to consumers. Usually, the Board's involvement in the education of consumers is carried out by the Board's Office of Public Affairs and the Federal Reserve Banks in coordination with the Division of Consumer and Community Affairs.

#### **Agency Responsibilities and Services**

Several pamphlets and fact sheets outlining the purpose of the Federal Reserve System have been prepared by the Board's staff for dissemination to the public. The most comprehensive of these is *The Federal Reserve System—Purposes and Functions*. Completely rewritten and revised in 1974, this 125-page booklet provides a concise account of the responsibilities and operating techniques of the

System in the areas of monetary policy, banking and financial regulation, and international finance.

While not specifically directed toward the consumer credit regulations, this publication does present an overview of the workings of the Federal Reserve. A *Guide to Federal Reserve Regulations*, published in April 1978, is designed to provide consumers with a general understanding of the goals and scope of each Federal Reserve regulation. Copies of the individual regulations are available to consumers from the Board of Governors or from the Federal Reserve Banks.

More detailed information concerning consumer credit regulations is available through two fact sheets continually updated by the Division of Consumer and Community Affairs. The first, most recently revised in October 1979, discusses the specific regulatory and enforcement responsibilities of the Division of Consumer and Community Affairs. The second discusses unofficial staff interpretations prepared by staff members of the Board of Governors in response to questions from the public concerning the Board's consumer credit protection regulations.

Other sources of information concerning the Board's activities in the consumer credit area are the Board's Annual Reports to Congress on Truth in Lending, Equal Credit Opportunity, and Section 18(f) of the Federal Trade Commission Improvement Act (under which the Board's consumer complaint program is administered). A recent pamphlet outlining the Board's consumer complaint handling process will be discussed in the section of this report concerning complaint handling. All of the above mentioned materials are available to interested persons and some are routinely distributed to persons on the Board's general consumer affairs mailing list mentioned earlier in this report.

#### Marketplace Information

An important aspect of the Board's enforcement function in the area of consumer credit protection regulation is educating both creditors and consumers of their rights and responsibilities. Explanatory pamphlets are a principal method of achieving this goal.

The Board's *Consumer Handbook to Credit Protection Laws*, published in December 1978 and reprinted in April 1979, is a comprehensive compilation of information about consumers' rights under credit laws and regulations. Many different techniques were used to bring about its broad distribution. The Board sent a copy of the booklet, with instructions on how to request additional copies, to over 35,000 high schools, junior colleges, and colleges. In addition, each member of Congress received a copy as did approximately 150 Better Business Bureaus. Copies were provided in bulk to the other federal agencies that enforce the consumer credit laws and a regular distribution was made to the Reserve Banks. Copies are also being distributed through the Consumer Information Center in Pueblo, Colorado. Other selected brochures currently available

from the Board with their dates of preparation appear below:

The Equal Credit Opportunity Act and Credit Rights in Housing (1/78).  
 The Equal Credit Opportunity Act and Age (5/77).  
 The Equal Credit Opportunity Act and Women (5/77).  
 The Equal Credit Opportunity Act and Doctors, Lawyers, Small Retailers, and Others who may Provide Incidental Credit (5/77).  
 Fair Credit Billing (12/76).  
 If You Use a Credit Card (12/78).  
 Truth in Leasing (3/78).  
 What Truth in Lending Means to You (Rev. 4/78).  
 How to File a Consumer Complaint (7/78).

Since short pamphlets such as those mentioned above are suitable for classroom use, multiple copies are available without charge.

In the area of audio-visual communication, the Federal Reserve recently began national TV distribution of a film entitled *To Your Credit*. Produced by the Federal Reserve Bank of Philadelphia, this film examines common problems faced by consumers during the course of credit transactions and offers solutions by informing consumers of their rights under the many consumer credit protection laws. School, consumer and civic groups may obtain copies of this film without charge by contacting the Federal Reserve Bank of their district.

This year, the Board inaugurated teacher workshops. Topics covered include an overview of the Federal Reserve System, its consumer credit regulations, its resources available in the areas of economic and consumer education, and methods of teaching consumer education in the classroom. Some Reserve Banks have also initiated similar programs for their own districts. Along the same line, the Federal Reserve Bank of Minneapolis is developing a comprehensive consumer credit curriculum for use in high schools and colleges. The package is expected to be available in the spring of 1980.

A game entitled "You're the Banker" has been devised primarily for classroom use by the Minneapolis Reserve Bank. It familiarizes the players with the basics of banking and demonstrates the effect that banking transactions have upon the general economy. "You're the Banker" is available from that Bank's Public Information Office at a cost of \$15.00.

As part of the educational effort, staff members of the Board's Division of Consumer and Community Affairs regularly make public speaking appearances before creditor and consumer groups interested in various consumer credit topics.

Finally, a *Federal Reserve System Compliance Handbook*, published in the spring of 1979, contains explanations of federal consumer credit laws and regulations, guidelines for enforcing Regulations B and Z, System procedures for handling consumer complaints, and examiner instructions. This manual was prepared primarily for use by System examiners and state member banks.

#### IV. EDUCATION AND TRAINING

Staff members of the Board's Division of Consumer and Community Affairs receive regular briefings and copies of related materials concerning the Board's consumer program and policies. In addition, the staff's opportunities for professional development include participating in on-site consumer affairs bank examinations as well as attending the Board's Consumer Affairs and Civil Rights School for bank examiners, which is held 2-4 times each year.

Where needed, special seminars are conducted to familiarize staff with recent developments in areas such as civil rights enforcement. Recently, selected staff members have been conducting weekly training sessions for members of the division on topics relevant to the division's work.

#### V. COMPLAINT HANDLING

The Federal Reserve System continues to reply to complaints and inquiries about many areas of consumer activity. Responses range from providing consumers with information or explanations to investigating and resolving complaints against state member banks. Complaints that involve creditors or businesses not under the Board's supervisory jurisdiction and that require more than information are forwarded to the appropriate enforcement agency.

To help consumers report complaints against state member banks, the Board, in July 1978, published *How to File a Consumer Complaint*. The pamphlet explains what a consumer should do when experiencing a problem with a bank and the procedures the Board will follow in investigating the complaint. It also contains a complaint form that is addressed to the Board, and that solicits specific information about the problem.

##### Response Procedures

Within 15 business days of receipt of an oral or written complaint, a substantive response or an acknowledgement setting a reasonable time for a substantive response will be sent to the individual making the complaint. Complainants will also be informed if their complaint has been referred to another agency. In an ongoing effort to monitor the effectiveness of the System's efforts to resolve consumer complaints, the Board sends followup letters to individuals who contact the Board about problems concerning state members banks, asking the complainants whether they were satisfied with the promptness with which their complaints were handled, whether they found the System staff courteous, whether they were content with the resolution of the problem, and whether they would contact the Federal Reserve in the event of future problems.

##### Tracking Complaints

Information about all consumer complaints received by the System (the Board and the 12 Federal Reserve Banks) is manually recorded on data sheets that are later used to transfer this information to the Board's

computer system. The type of complaint, the name of the bank against which it has been lodged, and that bank's corresponding Federal Reserve district are included on the sheet. This system gives the computer program the capacity to retrieve information concerning, for example, the number of complaints on a particular topic or against a particular bank.

Board of Governors.

Theodore E. Allison,

Secretary of the Board.

November 23, 1979.

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