REGULATORY REFORM OF APPRAISAL AND UNDERWRITING STANDARDS: THE CALIFORNIA FAIR LENDING REGULATIONS AND GUIDELINES

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Two of the primary keys to understanding why many financial institutions have overlooked lending opportunities in inner city neighborhoods are the underwriting and appraisal methods they have employed. During the last four years, some citizen groups and public officials have alleged that underwriting and appraisal standards used throughout the lending industry, discriminate in-effect against certain neighborhoods and groups of citizens. The lending industry has often responded to such allegations by contending that their standards represent prudent and defensible criteria for assessing risk.

In response to concerns about appraisal and underwriting techniques raised by residents of the state of California, the California Savings and Loan Commissioner promulgated Fair Lending Regulations and Guidelines. These regulations and guidelines were primarily designed to eliminate underwriting and appraisal practices which were discriminatory in intent or effect against certain racial, ethnic, sex and religious groups. They were also intended to provide the opportunity for savings and loan associations to reassess the overall adequacy of their underwriting and appraisal practices.

This paper resents an analysis of the California Regulations and Guidelines, and the efforts employed

by the California Commissioner of Savings and Loans in enforcing these regulations. Information is also presented concerning the cost and impact of these regulations.

On July 2, 1976, the Commissioner of Savings and Loan Associations of the State of California promulgated Fair Lending Regulations and Guidelines pursuant to Sections 5250 and 5255 of the Financial Code of the State of California.[1]

The four major provisions of the regulations as they relate to underwriting and appraisal practices are as follows:

(1) No association may deny a mortgage loan, discriminate in application procedures, or set the terms or conditions of a loan due to the consideration of the conditions or characteristics in the neighborhood surrounding the security property, unless the association can demonstrate that such consideration is required to avoid an unsafe or unsound business practice.[2]

(2) If an association can document that factors relating to the geographic area surrounding the security property are such that it is probable that such factors will cause the fair market value of the security property to decrease during the early years of the mortgage term, then an association may make an adjustment in the loan

to value ratio it considers appropriate for the property; and/or require that a shorter term-to-maturity be used.[3]

(3) An association, in appraising a property or in determining whether or not, or under what conditions to make a loan, must not consider the racial or ethnic composition of the neighborhood surrounding the property, or whether or not such composition is undergoing or expected to undergo change.[4]

(4) No association shall engage in a lending or underwriting policy or practice which has a discriminatory effect against a religious, racial, sex, marital status, or national ancestral group, unless the association can demonstrate that such a policy or practice is required to achieve an overriding legitimate business purpose.[5]

These regulations and guidelines recognize that consideration of the properly appraised current fair market value of the property which a mortgage applicant desires to purchase is a legitimate aspect of the underwriting of a loan. They also take into account the fact that the current fair market value of the property may be affected by its location. However, the guidelines require that certain steps be taken to insure the appraisal process is not misused in a manner which can result in unwarranted denials of loans that otherwise could be made by

prudent lenders.[6]

Traditionally, state regulators have been primarily concerned about overappraisals. The California regulations, however, represent an effort to deter underappraisals which might have a deleterious effect on certain neighborhoods. Underappraisals might also limit a financial institution's loan market, since underappraisals often lead lenders to refuse to grant loans which might have been profitable investments.

One of the steps in insuring the soundness of the appraisal process is to separate the appraisal from the underwriting function. The following statement from the Commissioner's guidelines underscores this point.

> Allowing underwriting concerns to be injected into the appraisal process, such as discounting the estimate of fair market value in an effort to safeguard against what the association considers to be above average risk loans, results in a perversion of the appraisal process. In order to ensure that the value estimate of the subject property is free from outside influence, it is essential that the integrity and independence of the appraisal process be protected by separating the appraiser's responsibility from the responsibility of the loan underwriter. To accomplish this objective, associations should review their organization, internal procedures and forms. Forms used for appraising should be separate and distinct from forms used in underwriting. In addition, the appraiser should not be responsible for making the decision as to whether the loan should be made or in establishing the terms of the loan.[7]

The second step suggested by the California Commissioner to insure the adequacy of the appraisal process is

for the appraiser to select comparables which minimize the need for neighborhood and time adjustments.

> The best way to avoid the need for such adjustments is to have neighborhood factors automatically accounted for in the comparables selected. Closeness in proximity to the security property is generally first in order of importance in selecting comparables. However, proximity should not be stressed to the extent of selecting very uncomparable properties solely because of excellent proximity ... In cases where market data is scarce and so dissimilar to the subject property so that large neighborhood, time or other adjustments are necessary, the appraiser should use at least four or five sales in order to improve the validity of the market data approach.[8]

Another guideline developed by the Commissioner is that any difference between the selling price and appraisal value of the property, based on consideration of neighborhood factors, shoudl be well-documented.[9] The guidelines suggest that such documentation could consist of a comparison of sales data for two properties which are identical except for location, or statistical analyses comparing values in different neighborhoods or value trends in a given neighborhood.[10]

The Commissioner's guidelines recognize that associations have a legitimate interest not only in the current value of the security property, but also in its future value, since a decrease in value might result in the security property not being adequate security for the loan.[11] However, the guidelines also contend that consideration of the future value of the security property is "inherently more subjective than consideration of present value."

Consequently, the Commissioner has stated that associations should refrain from making decisions based on "unsupported assertions or assumptions regarding the effect of a trend in the neighborhood on the future value of the security property."[12]

If an association desires to adjust the loan-to-value or term-to-maturity of a loan based on an appraiser's negative estimate of the future of the security property, it must clearly present the factors which will cause the fair market value of the property to decline during the early years of the mortgage term.[13] This provision is intended to place a clear burden of proof upon the association to document probable decline. However, the guidelines contend that even if such burden of proof is met, "no adjustments shall exceed the minimum required for the security property to continue to be a reasonable security for the loan."[14]

The guidelines state that an association shall not only document that the fair market value of the security property will decline, but it should also make a reasonable projection of the probable rate of decline in value. All evidence presented to document a probable decline in fair market value, and to make a reasonable projection rate of probable decline in value of the security property "must be specific and specifically linkable to the probable decline in value of the security property." [15]

The following statement indicates information which would be considered as insufficient or sufficient evidence for an assumption that the value of a specific property will decline.

> Evidence that the security property is located in a neighborhood which has residents of low average income or where the homes are old does not constitute evidence..Nor would a high rate of foreclosures, per se, in the area surrounding the property qualify as evidence, since...the foreclosures might have been due to the abnormal financing situation associated with redlining, which has involved problems in Federal Housing Administration programs and lending to speculators, or the foreclosures due to non-neighborhood factors...Probably the most objective kind of evidence that could be offered is a methodologically sound statistical analysis, which after controlling for relevant variables, indicates an established negative trend among property values in close proximity to the security property...the most obvious example of a...factor which would normally qualify as evidence would be a high degree of abandonment on the block[16] on which the property is located, because of the risk that such abandonment may spread...[17]

The guidelines state that evidence supporting the appraiser's estimate that the value of a given property will decline is only valid if there are no significant efforts underway or anticipated which hold promise for counteracting negative factors.[18] If a given security property is located in a neighborhood preservation area as designated by the California Housing Finance Agency, then the Commissioner will consider evidence supporting adjustments of the term of a loan on such property to be invalid.[19]

The guidelines recognize that there may be cases where due to a special situation, avoidance of an unsound loan might require making an adjustment, despite the fact that the property is located in a neighborhood preservation area.[20] In such cases, an association must submit evidence of the special situation to the Commissioner.[21] There is also recognition that there may be local programs underway or planned which are not explicity part of the program administered by the California Housing Finance Agency. The Commissioner reserves the right to designate such areas as equivalent to the California Housing Finance Agency's neighborhood preservation areas.[22]

Underwriting Standards

Unlike the appraisal function, which involves estimating the current and future fair market value of the security property, the underwriting function concerns the determination of whether, and on what terms, a loan should be made.

The California regulations prohibit underwriting policies and practices which are neutral on their face and intent, but are discriminatory in effect against a protected racial, religious, sex or ethnic group, unless such practices are required to achieve an overriding legitimate business purpose.[23] In addition, the challenged policy or practice must effectively carry out the business purpose that it is alleged to

serve, and there must not be any other alternative practices which would accomplish the stated business purpose in a more or equally effective manner, with a lesser discriminatory impact.[24]

Some of the underwriting practices which are considered to be discriminatory in effect, and not required to achieve legitimate business purposes are presented below. The following statements are direct quotations from the California regulations.

> (1) Restrictive Practices in Judging Credit Rating. A practive of disqualifying an applicant because of isolated credit difficulties or credit problems in the distant past has a discriminatory effect against minorities, many of whom have been the victim of harsh credit practices in the past. The key to judging an applicant's credit rating should instead be the general pattern of recent behavior. A period in the past containing financial difficulty does not necessarily make the risk unacceptable if subsequent thereto the applicant has maintained a good payment record on credit extended.[25]
>
> (2) Discrimination Against Creditworthy Applicants Who Have Not Previously Owned Their Own Home. In view of past discrimination against minority families in the housing market, a policy of favoring applicants who have previously owned homes over applicants who have not has the effect of perpetuating past discrimination and therefore has a racially discriminatory effect.[26]
>
> (3) Restrictive Practices in Judging a Prior Arrest Record or Criminal Record. Needlessly restrictive practices in judging a prior arrest or criminal record have a discriminatory effect against minorities. Several studies have shown that minority persons, especially blacks, are far more subject to arrest, particularly without cause, than are whites. If a person was arrested but not convicted, and if the person has a satisfactory record of repaying credit obligations and has income adequate to support the monthly payments,

use of the arrest record as a factor in denying a loan cannot be justified. Even if there was a conviction, the use of this fact as an absolute bar to a loan would be needlessly restrictive and discriminatory in effect.[27]

(4) Needlessly Disallowing Income from Overtime, Production Bonuses, and Part-time work.
...Needlessly disallowing income from overtime and production bonuses has a discriminatory effect against minorities, who often rely upon such income. As with other income, the determination as to whether income from overtime, production bonuses or part-time employment is counted should depend upon whether such income may reasonably be expected to continue through the early years of the mortgage term. Associations should look to the recent stability of the applicant's income from overtime, production bonuses or part-time employment, and whether or not such income is a typical characteristic of the applicant's job.[28]

(5) Needlessly Disallowing Income From Alimony, Child Support and Maintenance Payments.
A practice of needlessly disallowing income from alimony, child support or maintenance payments has a discriminatory effect against women and against people who are divorced or separated.[29]

(6) Use of Overly Restrictive or Inflexible Payment to Income Ratios or Installment Debt to Income Ratios.
The use of overly restrictive or inflexible underwriting rules with respect to payment-to-income ratios or installment debt-to-income ratios has a discriminatory effect against families with income in the lower range of the market, because such families tend to devote a greater percentage of income to basic necessities such as housing. Since potential applicants from such families are disproportionately minorities, women and persons who are not currently married, such practices have a discriminatory effect against racial, sex and marital status groups. Use, for example, of a 20% ratio of mortgage payments to total income is overly restrictive, since there is empirical evidence that the risk of mortgage delinquency does not increase when the payment-to-income ratio is 25% instead of 20%.[30]

(7) Restrictive Prices Based on the Age of Home

> Rules or practices which needlessly deny loans on older homes have a sharp discriminatory effect against minorities...Obviously if the structure is unsound, or if the home is in fundamentally poor condition, there are sound reasons for taking such factors into consideration in determining whether and under what terms and conditions to make a loan. However, such determinations should be made on a case-by-case basis, keeping in mind the strong interest /of the regulations/ to open up new opportunities for sound home financing.[31]

(8) Arbitrary Minimum Cutoff Points for Borrower Income, Loan Amount or Purchase Price

> The use of an arbitrary rule that no loan will be made to an applicant whose income is below a certain predetermined amount (irrespective of the amount of loan sought), or if the loan amount or purchase price is below a certain predetermined level, has a discriminatory effect against minorities. A case-by-case evaluation, using flexibility in an attempt to make those sound loans that can be made, is more appropriate.[32]

(9) Minimum Square Footage Cutoff

> The use of a rule that no loan will be made on a house with less than some minimum square footage of improved living area has a discriminatory effect against minorities, many of whom may be only able to afford relatively small homes. If the appraisal indicates that the loan is properly secured by the value of the property, and if the property can be deemed marketable, than size should not be a bar to a loan.[33]

The above underwriting guidelines were designed to encourage associations to extend credit, in a prudent manner, to individuals who have traditionally experienced difficulty in securing conventional financing.

Enforcement of Regulations

In an effort to detect violations of the regulations, the Department of Savings and Loan has undertaken the

following efforts: the development of a consumer assistance program to respond to consumer complaints concerning violations of the regulations; and the initiation of examination procedures which analyze data which associations are required to submit to the Commissioner, as well as the appraisal methods and underwriting criteria used by each association.

The Consumer Assistance Program within the Department of Savings and Loan has two objectives: informing the public of their rights in obtaining mortgages and how they can have their grievances resolved; and assisting homeowners in obtaining mortgages if denied by a state-licensed association on the basis of neighborhood factors.[34]

The Department of Savings and Loan has employed a number of methods to inform the public of the regulations and their rights to appeal the action of associations through the consumer assistance program initiated by the Department. These methods have included providing elected state officials with information to be used in newsletters for their constituents, providing information to local newspapers, developing radio and television public service announcements, and sending information bulletins to various local government consumer agencies. The Department has also published articles in the Department of Real Estate's quarterly bulletin to educate real estate agents about the Fair Lending Regulations, to inform

them of the consumer assistance program, and to solicit help in identifying unfair lending practices. The Department is also considering the development of a consumer-oriented brochure which would describe the Fair Lending Regulations, how to obtain a home loan and the services of the Department of Savings and Loan.

If a consumer is not aware of the Fair Lending Regulations and the complaint process, that consumer will become aware of them if he or she experiences a rejection of an application. All state-licensed savings and loan associations are required by the regulations to provide the following statement:

> The Association is prohibited from using neighborhood factors as a basis for denying a mortgage loan, or discriminating in the setting of the terms or conditions of a mortgage loan, except to a limited extent which may be required to avoid an unsound business practice. Arbitrary discrimination on the basis of a person's age is also prohibited.
>
> If you believe you may have been unfairly discriminated against, you may file a complaint with the California Department of Savings and Loan at either office below, asking for a review of the Association's decision.
>
> 600 S. Commonwealth Avenue
> 15th Floor
> Los Angeles, California 90005
> Telephone: (213) 736-2798
>
> 350 Sansone Street [35]
> 2nd Floor
> San Francisco, California 94104
> Telephone: (415) 557-3666

Once a complaint is received by the Department of Savings and Loan, the Commissioner initiates the following procedures.[36] First, the complainant is notified of receipt of the complaint. Next, the association involved is contacted by telephone to indicate that the complaint has been filed and that pertinent documentation should be

available for review by the Department. The association has ten days from the date of the Department's letter to respond.

The association's documents and lending policies will be evaluated to determine if the Fair Lending Regulations have been violated. If the value of the property in question is an issue in the complaint, an appraiser from the Department of Savings and Loan will make an appraisal of the property's market value. If a violation is found, the association will be directed to make the loan. If no violation is found, the Department will attempt to aid the complainant in finding a lender if it is determined that a loan might be made by another lender. If no violation is found and a loan by another lender is not probable, than the Department will notify the complainant that he or she may request a review by a Board of Inquiry. All complaints received by the Department of Savings and Loan must be resolved to the satisfaction of the complainant within 21 days or the complaint is forwarded to one of the Boards of Inquiry.

There are currently two Boards of Inquiry, one in Los Angeles and one in San Francisco. The role of these boards is to review complaints which the Savings and Loan Commissioner has not been able to resolve to the satisfaction of the complainant. Each of the boards is composed of three members: a public interest representative, a representative of the savings and loan industry

and an employee of the California Business and Transportation Agency or one of its Departments.

All state-licensed associations are required to furnish documents and information as requested to assist in a Board's review of a complaint. With respect to each complaint reviewed by a Board of Inquiry, the Board shall make a finding of fact regarding whether or not a violation of the regulations has occurred. All findings of violations are then reported to the Secretary of the Business and Transportation Agency and the Savings and Loan Commissioner for action they deem appropriate.[37]

Examination Procedures

In order to enable examiners to review the lending practices of associations and to determine if they have violated any of the provisions of the Fair Lending Regulations, the Commissioner has required state-licensed associations to submit or maintain a considerable quantity of data.

Associations are required to report to the Department of Savings and Loan on a monthly loan register report information relating to each real estate and home improvement loan granted and denied, and information on loans purchased and sold. In addition, associations are required to report, for each application, whether or not they utilized the limited allowance permitted by the regulations for considering neighborhood factors in adjusting

the terms of a loan in order to avoid unsafe or unsound business practices.

Associations are also required to maintain files for each loan denial and for each loan granted which was for less than the amount requested or which was approved with conditions which are more onerous than normal (e.g. high interest rates, low loan-to-value ratio, short term-to-maturity). In the case of all loan applications which are rejected, an association must develop a written statement which clearly indicates the precise reason(s) for denial of the loan. This statement must be given to the applicant and a copy must be retained by the association. In the case of all loan applications which are approved, but for less than requested or with abnormal conditions, the association must develop a written statement which provides clear and specific reasons for approval of the lesser loan amount or the imposition of unusual terms or conditions. The statement must be given to the loan applicant and a copy must be retained by the association. [38]

Another data collection requirement imposed upon the association is the completion of a Fair Lending Information Form by every preliminary applicant for a loan for the purchase of a security property or for the refinancing of an existing loan. This form requests the location of the subject property, and the sex, age and race/ethnicity of the applicant.

The applicant is not required to fill out the form, but if he or she is not willing to complete the form, then a loan officer is required to "fill in, to the best of his or her ability, information that can be obtained through visual observation ..." [39] A copy of this form can be found in Appendix A.

The Department of Savings and Loan considers the examination process as the most effective means of enforcing the Fair Lending Regulations. The Department has developed field procedures for the review of association policies and practices to determine compliance with the regulations.[40]

Harvey Shames, the Chief Financial Examiner of the Department of Savings and Loan, made the following statement in an article he had written for the Examiner, a publication of the Society of Financial Examiners. This statement indicates the examiner's focus in enforcing regulations.

> The Fair Lending Regulations really involve looking at the association's lending policies from a new perspective. One fundamental change in the examiner's orientation, in addition to criticism of loans made that should not have been made, will be the criticism of loans not made that should have been made. [41]

The examination procedures encompass the following steps:

(1) Reviewing lending criteria pamphlet for conformance to guidelines.

(2) Review the association's written policy and procedures on the organization and processing of loan applications, and the documentation of decisions.

(3) Interview loan officer(s) on procedures for handling loan inquiries, preliminary applicants and formal applicants.

(4) Prepare an analysis of loan applications, loans granted, loans rejected and applications withdrawn. This process should indicate if the association is maintaining files and if it is prescreening applications.

(5) Review the association's loan register printout to determine areas where the association is lending, and the amount of lending in areas which are considered mortgage deficient.

(6) Review documentation and rationale for rejected loan applications.

(7) Review rejected, withdrawn and approved loan files for Fair Lending Information Form.

(8) Review appraisals for documentation to adequately support values reached.

(9) Review the results of underwriting practices to determine if they have a disproportionate impact on those groups protected under the regulations. If a certain practice is determined to have a discriminatory impact, then the purpose of that practice must be carefully examined to see if it achieves an overriding, legitimate business purpose.[42]

Impact of the Regulations and Guidelines

Although it is difficult to determine the impact the regulations and guidelines have had on the availability of credit, the complaint process employed by the Savings and Loan Commissioner to enforce the regulations had elicited 64 complaints as of August, 1977. The Commissioner's office was able to resolve 54 of the 64 complaints to the

satisfaction of the complainant. In ten cases, complaints were forwarded to one of the Boards of Inquiry because the Commissioner was unable to resolve the complaint to the satisfaction of the complainant.

The Boards of Inquiry completed reviews of nine of the ten cases forwarded, and made an adverse funding in only one of the cases. However, it was unnecessary to order the association to grant the loan since the complainant was able to secure financing from another source. [43]

According to Saul Perlis, the Commissioner of Savings and Loan, examiners have detected a number of violations of the regulations.[44] In all cases, the offending associations eliminated all practices and procedures in violation of the regulations when these violations were pointed out by the examiners.

Both Perlis and Ann Thoke, an Assistant to the Secretary of Business and Transportation, agree that it is difficult to determine the impact of the regulations, but they contend that the regulations have had a positive educational influence on state licensed savings and loan associations which are realizing that it is profitable and prudent to lend to home buyers purchasing property in areas previously considered to be a high risk.

Cost of the Regulations

One of the issues about which regulators and lenders are concerned is the cost to regulators of implementing

fairness in lending regulations, and the cost to the lenders of complying with such regulations. Frederick M. Rammler, an Administrative Service Officer in the California Department of Savings and Loan, indicated that the 1976-77 Department budget authorized the expenditure of $492,560 in enforcement of the regulations.[45] These budgeted expenditures are distributed by programs and organizations as follows:

Board of Inquiry	$170,942
Economic and Financial Information Division	247,026
Examination Program	74,592
Total Budgeted Expenditure	$492,560

Although lenders obviously incur added costs as a result of the disclosure and record keeping provisions of the regulations, the precise cost of such requirements is unknown.

Conclusion

The California Fairness in Lending Regulations and Guidelines are designed to encourage reinvestment or investment in certain communities and certain groups of people without mandating specific credit alllocation requirements for state-licensed savings and loan associations.

The regulations have been criticized by representatives of certain savings and loan associations as inflexible and costly. A few savings and loan representatives have also objected to the fact that the regulations only apply to state-licensed associations, while Federal savings

and loan associations, state-chartered and Federally-chartered commercial banks are able to extend credit under the more permissive regulations of the appropriate Federal regulatory agencies or the sate regulator of commerical banks. Certain anti-redlining groups have criticized the California Commissioner of Savings and Loans for failing to enforce the regulations adequately. Others have attempted to secure passage of a state legislative bill which would cause the regulations to become law.

In considering the applicability of the California Regulations and Guidelines to other states, policy analysts should first determine the need for such regulations and guidelines. Second, if there is a determination that there is a need, then the statutory authority of the savings and loan and commerical bank regulators should be investigated to detect if he or she has the power to enact such regulations. Third, the regulations should be tailored to the needs and unique features of financial institutions in the state. For example, a state regulator who promulgates fair lending regulations should be careful that such regulations do not cause a diminution of state-chartered institutions. If a diminution is likely to occur, then the regulator must balance the effect of such losses against the need for credit to finance the purchase of homes in <u>all areas</u> and by <u>all creditworthy people</u> in the state. There has been no diminution of state-licensed institutions in the state of California.

Footnotes

1

Section 5250 of the Financial Code of the State of California states that "the commissioner is charged with the administration and enforcement of this division, and all other laws relating to or affecting the incorporation, organization, business, operation, merger, consolidation... of associations subject to the provisions of this division."

Section 5255 of the Financial Code of the State of California states that "the commissioner may promulgate, amend, supplement, and revoke in whole or in part, rules and regulations not inconsistent with the provisions of this division and other laws of this State..."

Although the text of this paper indicates that the regulations and guidelines were promulgated by the Savings and Loan Commissioner, they were officially promulgated in a joint order issued by the commissioner and the Secretary of the Business and Transportation Agency (BTA). The Department of Savings and Loan is a department of BTA.

2

"Order Adopting...Regulations of the Savings and Loan Commissioner, Subchapter 23-245.2 (a).

A security property is considered to be the collateral for the mortgage which a financial institution extends to a home buyer or homeowner. If the borrower defaults on the repayment of the mortgage, then the lending institution will foreclose on the loan and attempt to sell the collateral property in order to recoup the principal and interest due on the loan.

According to the guidelines of the California Savings and Loan Commissioner, "it is important that at all times throughout the life of a loan, that the outstanding balance of the loan should be less than the fair market value of the property, and that the magnitude of that difference should be at the appropriate level. While there are no hard and fast rules, a...relatively simple guideline is that adjustments can be made so that the association will have a reasonable basis for believing that the ratio between the outstanding balance and the fair market value of the property will not exceed 90%, or in other words that at least a 10% 'cushion' will be maintained. However, this guideline should not be interpreted to mean that an association would be justified in using neighbhorhood factors as a basis for denying a 95% loan, unless the initial burden to document a probable decline in value is met"

Taken from: State of California, "Order Adopting, Amending or Repealing Regulations of the Savings and Loan Commissioner with special reference to:Guidelines Relating To Fair Lending". Title 10, California Administrative Code, Subchapter 24, 246.1(b) (2).

[3] Ibid., Subschapter 23 - 245.3 (a).

[4] Ibid., Subchapter 23 - 245.2 (d).

[5] Ibid., Subchapter 23 - 245.2 (c)

[6] Interview with Stephen Rohde, former Assistant to the California Secretary of Business and Transportation, August, 1977.

[7] State of California, "Order Adopting, Amending or Repealing Regulations of the Savings and Loan Commissioner with special reference to: Guidelines Relating To Fair Lending." Title 10, California Administrative Code, Subchapter 24, 246.1 (a) (2).

[8] Ibid., Subchapter 24, 246.1 (a) (3).

[9] Ibid., Subchapter 24, 246.1 (a) (5).

[10] Ibid., Subchapter 24, 246.1 (a) (4).

[11] Ibid., Subchapter 24, 246.1 (b) (1) (A).

[12] Ibid.

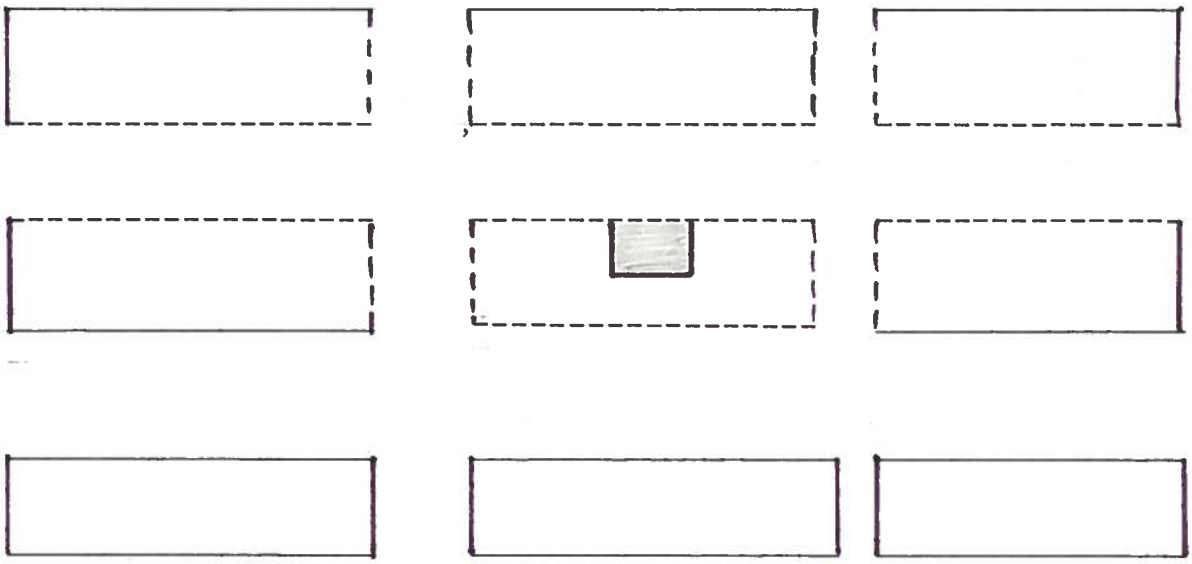
[13] Ibid., Subchapter 24, 246.1 (b) (1) (B).

[14] Ibid.

[15] Ibid., Subchapter 24, 246.1 (b) (4) (A).

[16] Exhibit A indicates those blocks and sides of blocks which the California guidelines contend to most directly impact on the security property. In this exhibit, the shaded area represents the security property and the dotted lines represent those sides of blocks which might most directly impact on the security property.

Ibid., Subchapter 24, 246.1 (B) (4) (C) (3).



17
Ibid., Subchapter 24, 246.1 (d) (4) (A) and (C).

18
Ibid., Subchapter 24, 246.1 (b) (4) (E)

19
Ibid.

20
Ibid., Subchapter 24, 246.1 (b) (4) (E) (2).

21
Ibid.

22
Ibid., Subchapter 24, 246.1. (b) (4) (E) (4).

23
Ibid., Subchapter 24,246.3 (a) (1) (2).

24
Ibid.

25
Ibid., Subchapter 24, 246.3 (b) (1).

26
Ibid., Subchapter 24, 246.3 (b) (2).

27 Ibid., Subchapter 24, 246.3 (b) (3).

28 Ibid., Subchapter 24, 246.3 (b) (4).

29 Ibid., Subchapter 24, 246.3 (b) (5).

30 Ibid., Subchapter 24, 246.3 (b) (6).

31 Ibid., Subchapter 24, 246.3 (b) (7).

32 Ibid., Subchapter 24, 246.3 (b) (8).

33 Ibid., Subchapter 24, 246.3 (b) (9).

34 Letter from Frederick M. Rammler, Administrative Service Officer, California Department of Savings and Loan, to Richard J. Francis, Commissioner, Financial Institutions Bureau, State of Michigan, May 3, 1977, p.3.

35 "Order Adopting...Regulations of the Savings and Loan Commissioner" (supra.,Note 2), Subchapter 23, 245.4(f).

36 Letter from Frederick M. Rammler (supra., Note 34), pp. 4-5.

37 Ibid., p.3.

38 "Order Adopting...Regulations of the Savings and Loan Commissioner" (supra. Note 2), Subchapter 23, 245.4(g) (h).

39 "Order Adopting...Regulations of the Savings and Loan Commissioner" (supra., Note 2), Subchapter 23, 245.4(e).

40 Letter from Frederick M. Rammler (supra.,Note 34), p.5.

41 Harvey Shames, "California Viewpoint: The Examiner's Role in Enforcing Fair Lending Practices," The Examiner, May, 1977, pp. 8-10.

42 Letter from Frederick M. Rammler (supra.,Note 34), pp. 5-6.

43 Interview with Saul Perlis, California Commissioner of Savings and Loan, August, 1977.

44 Ibid.

45 Letter from Frederick M. Rammler (supra., Note 34), p.6.