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[COMMITTEE PRINT]

# DO FINANCIAL REGULATORY AGENCIES LISTEN TO CONSUMERS?

## STAFF REPORT

OF THE

## SUBCOMMITEE ON CONSUMER AFFAIRS

OF THE

## COMMTITEE ON BANKING, CURRENCY AND HOUSING HOUSE OF REPRESENTATIVES

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# LETTER OF TRANSMITTAL

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HENRY S. REUSS,
*Chairman,*

ALL MEMBERS OF THE COMMITTEE ON BANKING, CURRENCY AND HOUSING: It is a basic principle of the nation that the agencies of government are established to serve the people. Lately, many have questioned whether those agencies are indeed serving the people.

As Chairman of the Consumer Affairs Subcommittee, I have been concerned as to whether the financial regulatory agencies are serving all of the people instead of only the financial institutions which they supervise.

To this end, I asked the staff of the Consumer Affairs Subcommittee to conduct a study to determine what happens when a consumer files a complaint against a financial institution with one of the regulatory agencies. The goal was to determine whether or not these regulatory agencies conduct independent investigations of the complaint, or whether they merely ask the financial institution to "look into the situation". The second of the study was to determine whether or not consumers were satisfied with the way their complaint was handled.

Unfortunately, a vast majority of the consumers were not satisfied with the way which the agencies handled their complaint. Even the simple task of notifying a consumer that a complaint letter had been received and was being investigated was often ignored or notification delayed. It is my hope that the financial regulatory agencies will use this study to improve their performance in the consumer complaint area. It does no good for these agencies to write glowing commendations of their consumer affairs effectiveness in their annual reports while basic consumer complaints go unanswered. We need agencies that can solve problems not agencies that are vying for press agentry awards.

FRANK ANNUNZIO, *Chairman.*

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# DO FINANCIAL REGULATORY AGENCIES LISTEN TO CONSUMERS?

## I. Introduction

In recent years many Americans have come to have less and less trust and confidence in the institutions of their government. Although many individuals form impressions based in events in general, an individual's opinion is likely to be most influenced by those governmental actions which directly affect him. One such action is the treatment a consumer receives when he has a problem and complains to a government agency. The quality of this treatment will have a large impact on whether or not a consumer has a favorable attitude toward government.

The Subcommittee on Consumer Affairs considered it appropriate at this time to examine the complaint handling process at the Federal Deposit Insurance Corporation, the Federal Reserve Board, the Comptroller of the Currency, the Federal Home Loan Bank Board and the National Credit Union Administration. These agencies have substantial involvement with consumer credit protection laws and the first three of the above-mentioned agencies have consumer affairs offices which have been in operation for more than one year and are specifically designated to take action on consumer complaints by § 202(f)(1) of the Federal Trade Commission Improvement Act. In addition, the Subcommittee staff conducted a survey of consumers who had submitted complaints to these agencies to determine their satisfaction with the treatment which their complaints received.

The survey of consumers indicated that an astonishingly large number, nearly 70% of those responding, were not satisfied with the agencies' resolution of their problems. Regardless of the Subcommittee's evaluation of the agencies' performance in this area or of the agencies' own self-evaluations in this area, what the consumer himself feels is of the utmost importance. Based on the results of this survey, it is clear that the consumer is frustrated and unhappy with the results of the complaint handling process. It is also clear that agencies, rather than concentrating on their public image alone, must take meaningful steps to improve their ability to resolve consumer complaints.

## II. Findings

*None of the consumer affairs offices (or Washington offices of those agencies without consumer affairs offices) become involved in the actual investigation of the consumer complaints which they receive.* All agencies, with the exception of the Office of the Comptroller of the Currency, routinely forward consumer complaints to regional offices for

processing. The Consumer Affairs Division of the Comptroller uses members of the Comptroller's Legal Division to investigate complaints.

*The method of investigation of consumer complaints most frequently used by all agencies is to request details concerning the complaint from the financial institution complained about.* This method puts primary reliance on the financial institution's version of the problem. Consumers are rarely contacted for additional details and examiners are rarely sent out to conduct on-site investigations of consumer complaints.

*No agency routinely checks records of financial institutions to determine the accuracy of the information provided by a financial institution to the agency in connection with consumer complaints.* Since the information under the current system of investigation is provided principally by the bank involved in the complaint itself, some means of checking the reliability of the information should be provided.

*No efforts have been made by the agencies to publicize the consumer affairs offices' ability to handle and resolve consumer complaints.* Without such publicity consumers are unlikely to know where to direct their complaints. The potential for confusion is demonstrated by the fact that the Subcommittee staff observed a number of complaints which had been sent by consumers to the wrong agency and which were, in turn, forwarded by the receiving agency to another agency which did not have jurisdiction over the consumer's problem. If agencies themselves misdirect complaints on occasion, the difficulties which consumers have in deciding where to go with their problems can only be more severe.

*None of the agencies publish consumer educational materials with the exception of the Federal Reserve Board which has issued only a limited number of consumer-oriented materials.* Although several agencies issue pamphlets describing the details of their savings account insurance program, none of these materials deal with consumer credit protection laws or consumer education.

## III. Summary of Recommendations

The Subcommittee staff makes the following recommendations for the consumer affairs offices and agencies included in this report.

1. Consumer complaints should be handled by a central consumer affairs office within the agency involved. This office should carry out all steps necessary to resolve a consumer complaint short of conducting an on-site investigation.

2. On-site investigations of consumer complaints at the financial institution involved should be conducted, whenever necessary, in order to obtain additional information or to check pertinent records. The decision to carry out such an investigation should be made by the consumer affairs office.

3. The staff of the consumer affairs office should be encouraged to contact the consumer who submitted the complaint when the office requires additional information in order to handle the complaint.

4. During regularly-scheduled examinations of financial institutions, the staff examining the financial institution should inspect records of the financial institution which the institution submitted to the consumer affairs office in connection with a consumer complaint. This would serve as a check for the accuracy of the information supplied by the financial institution.

5. Consumer affairs specialists should be designated at the regional offices of these agencies to to serve as liaison with the consumer affairs offices in Washington, to help to publicize the consumer affairs office in Washington and to be responsible for consumer education within the region.

6. The consumer affairs offices should publicize their complaint handling ability and make consumer access to their offices easier.

—Information leaflets describing the work of the offices and their complaint handling ability should be widely distributed (particularly to consumer groups and to the financial institutions).

—Posters describing the consumer affairs offices and their complaint handling ability should be required to be placed in financial institutions over which the particular consumer affairs offices has complaint-handling jurisdiction.

—A toll-free telephone number to the consumer affairs office in Washington should be established for each agency and listed in telephone directories throughout the country.

7. A consumer complaint form should be introduced and distributed by the consumer affairs offices for use by consumers, allowing the consumer affairs offices to specifically request the types of information needed to resolve a complaint.

8. The consumer affairs offices and agencies should periodically evaluate their complaint handling operation to determine how successfully it is functioning and whether there are ways in which it could be improved.

9. The consumer affairs offices of the agencies examined in this report should maintain liaison with one another and other government consumer affairs offices. They should also seek to increase their contact with consumer groups.

The Subcommittee staff anticipates that the cost of implementing these recommendations will be minimal since they primarily involve introduction of new procedures. The additional staff duties recommended can be implemented by restructuring present staff and their duties and, in the case of the Federal Deposit Insurance Corporation, by hiring staff for those positions which have already been authorized but are currently vacant. If agencies can achieve compliance with consumer protection laws and demonstrate that they are able to redress consumer complaints, the number of such complaints is likely to be reduced along with the need for actions against the financial institutions, saving the government valuable staff time and the costs of prosecution.

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## IV. Consumer Study

In order to evaluate the satisfaction on the part of consumers with the complaint handling process at the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, the Office of the Comptroller of the Currency and the National Credit Union Administration, the Subcommittee staff carried out a survey of consumers who had either filed complaints with these agencies in Washington or had their complaints referred from other agencies.

The Subcommittee staff contacted a randomly selected sample of approximately 20% of the consumers who sent written complaints to these agencies in 1976. Because of the low number of complaints filed with the National Credit Union Administration in Washington, almost all of the consumers who had their complaints handled by this agency were contacted. Similarly, because the Federal Home Loan Bank Board has no central recordkeeping system for consumer complaints, the consumers contacted in this study were those whose complaints had been either referred from other agencies or initially sent by the consumer to the Federal Home Loan Bank Board's Office of Housing and Urban Affairs. Consumers were sent a cover letter explaining the purpose of the study together with a questionnaire and a self-addressed stamped envelope.

The Subcommittee staff was overwhelmed by the speed with which the questionnaires were returned and by the exceedingly high rate of consumer response. Surprisingly, the first response received by the Subcommittee came within three days after the questionnaire had been sent out, and the bulk of returned questionnaires were received within two weeks. Many consumers submitted lengthly and detailed replies about their complaints and enclosed copies of correspondence and relevant documents. Many consumers also asked for further assistance from the Subcommittee in resolving their problems. Some consumers telephoned the Subcommittee while others added extra special delivery postage to the already self-addressed stamped envelopes, thus emphasizing the importance of their views.

The consumer questionnaire asked for responses to three principal questions:

(1) Was the matter resolved by the agency to your satisfaction?

(2) What is your overall view of the manner in which your complaint or inquiry was handled?

(3) How long did the agency take to acknowledge your letter?

Because a number of consumers who were contacted indicated that the agency which had supplied their name to the Subcommittee had forwarded their complaint to another agency for handling, the responses of those consumers were not included in the study.

The results of the survey are presented in the following chart.

| | Comptroller | FDIC | FHLBB | FRB | NCUA | Combined |
|---|---|---|---|---|---|---|
| Number of questionnaires sent out | 111 | 61 | 36 | 65 | 56 | 329 |
| Number of questionnaires returned | 64 | 34 | 22 | 36 | 29 | 185 |
| Consumer response rate | 58% | 56% | 61% | 55% | 52% | 56% |
| Number of questionnaires returned less number referred to other agencies | 58 | 33 | 19 | 22 | 29 | 161 |
| Number of consumers satisfied with agency resolution of their problem | 14 | 8 | 4 | 5 | 11 | 42 |
| Number of consumers not satisfied with agency resolution of their problem | 31 | 22 | 12 | 9 | 18 | 92 |
| Percentage of consumers satisfied with agency resolution of their problem | 31% | 27% | 25% | 36% | 38% | 31% |
| Percentage of consumers not satisfied with agency resolution of their problem | 69% | 73% | 75% | 64% | 62% | 69% |
| | | | | | | |
| Number of consumers rating overall agency complaint handling EXCELLENT | 9 | 9 | 2 | 5 | 8 | 33 |
| Number of consumers rating overall agency complaint handling GOOD | 6 | 2 | 6 | 3 | 3 | 20 |
| Number of consumers rating overall agency complaint handling FAIR | 5 | 3 | 2 | 3 | 8 | 21 |
| Number of consumers rating overall agency complaint handling POOR | 28 | 17 | 9 | 7 | 10 | 71 |
| Percentage of consumers rating overall agency complaint handling EXCELLENT | 19% | 29% | 11% | 27% | 28% | 23% |
| Percentage of consumers rating overall agency complaint handling GOOD | 13% | 6% | 31% | 17% | 10% | 13% |
| Percentage of consumers rating overall agency complaint handling FAIR | 10% | 10% | 11% | 17% | 28% | 15% |
| Percentage of consumers rating overall agency complaint handling POOR | 58% | 55% | 47% | 39% | 34% | 49% |
| | | | | | | |
| Number of consumers stating agency acknowledgement sent within 2 weeks | 17 | 12 | 7 | 9 | 14 | 59 |
| Number of consumers stating agency acknowledgement not sent within 2 weeks | 37 | 16 | 12 | 12 | 15 | 92 |
| Percentage of consumers stating agency acknowledgement sent within 2 weeks | 31% | 43% | 37% | 43% | 48% | 39% |
| Percentage of consumers stating agency acknowledgement not sent within 2 weeks | 69% | 57% | 63% | 57% | 52% | 61% |

While no attempt was made to assess the merits of each consumer complaint, the results of the survey indicate that there is widespread dissatisfaction on the part of consumers with the treatment accorded their complaints. Overall, 56% of all questionnaires sent out by the Subcommittee were returned. Nearly 70% of the consumers responding stated that they were *not satisfied* with the resolution of their complaint by the agency involved and approximately half rated the agency's handling of their complaint as "poor." Sixty-one percent of the consumers indicated that the agency in question took over two weeks to acknowledge their letters.

Based on the percentage of consumers who were satisfied with the resolution of their complaints, the five agencies surveyed by the Subcommittee staff fall into two main groupings. The first grouping, composed of those agencies with a consumer dissatisfaction rating equal to or greater than the combined dissatisfaction rating of all agencies (69%), includes the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board. The second grouping has a lower dissatisfaction rating with approximately six out of ten consumers dissatisfied with the resolution of the complaints. In this group are the Federal Board and the National Credit Union Administration.

As far as consumer evaluation of the overall complaint handling process is concerned, the National Credit Union Administration had the lowest percentage of dissatisfied consumers and received the lowest "poor" rating of all the agencies surveyed (34%), closely followed by the Federal Reserve Board. The Federal Home Loan Bank Board had the highest percentage (75%) of dissatisfied consumers. Closely following the Federal Home Loan Bank Board in terms of a high dissatisfaction rating was the Federal Deposit Insurance Corporation with a rating of 73% and the Comptroller of the Currency with a 69% rating.

The Federal Deposit Insurance Corporation had the highest percentage of consumers who considered the agency's overall complaint handling process to be "excellent" (32%), followed by the National Credit Union Administration and the Federal Reserve Board. The National Credit Union Administration had the highest percentage of consumers who answered that the agency sent an acknowledgement within two weeks. (48%). The Comptroller of the Currency received the lowest rating for prompt replies (only 31% of the consumers stated that the agency sent an acknowledgement within two weeks), followed closely by the Federal Home Loan Bank Board's 37% rating.

In addition to these numerical indications of consumer discontent, the comments contained in the responses returned to the Subcommittee evidenced a pervasive sense of dissatisfaction which ranged from simple frustration at the delays involved in having problems resolved to pure anger at the lack of results. Glowing letters of commendation were rare and, when they appeared, often dealt with a speedy response on the part of the agency to a request for information.

CONSUMER AFFAIRS OFFICES MANDATED BY STATUTE

The Federal Trade Commission Improvement Act which became law in January, 1975, required the Federal Reserve Board, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency to establish separate consumer affairs divisions charged with:

(1) receiving and taking appropriate action upon complaints with respect to unfair or deceptive acts or practices by banks in or affecting commerce in order to prevent such acts or practices, and

(2) enforcing compliance with regulations to be issued by the Board of Governors of the Federal Reserve System defining the above-mentioned acts or practices.

In addition, the Federal Trade Commission Improvement Act requires the Board of Governors of the Federal Reserve System to prescribe regulations (1) defining with specificity such unfair or deceptive acts or practices, and (2) which contain requirements prescribed for the purpose of preventing such acts or practices.

## V. Federal Reserve Board

The Federal Reserve System was established to serve as the nation's central bank with the execution of monetary policy as its major responsibility. The Federal Reserve Board has the responsibility of helping to maintain the strength and vitality of the U.S. economy through control of monetary policy.

The Federal Reserve System is supervised by a Board of Governors consisting of seven members appointed by the President with the advice and consent of the Senate. The Board has broad powers and is authorized to fix reserve requirements of member banks, determine maximum rates of interests, determine discount rates and regulate the amount of credit that may be extended on any security.

There are twelve regional Federal Reserve Banks, each of which is owned by the member banks in its region. Member commercial banks include all national banks (which are required to join the Federal Reserve System). State-chartered banks can also choose to become a part of the Federal Reserve System, but their membership is subject to approval by the Board of Governors.

The Office of Saver and Consumer Affairs was established in July, 1974, by the Federal Reserve Board in anticipation of the enactment of the Federal Trade Commission Improvement Act. Under this Act, in addition to establishing a consumer affairs division, the Federal Reserve Board is also charged with issuing regulations defining unfair or deceptive practices in banking, and prescribing requirements to prevent such acts or practices. To date, the Board has not issued such regulations. Thus far, the principle activities of the Office of Saver and Consumer Affairs—in connection with the Federal Trade Commission Improvement Act—have been in the consumer complaint handling area.

The Office of Saver and Consumer Affairs describes its objectives and responsibilities as follows:

> The Office of Saver and Consumer Affairs is charged with the responsibility of assuring that the interests of savers and consumers are given adequate and specific attention in considerations leading to all Board decisions. In addition, the Office was given direct responsibility for a number of consumer oriented programs mandated to the Board by Congress.

The Office of Saver and Consumer Affairs is also responsible for:

> . . . drafting, amending and interpreting regulations implementing Congressional legislation, monitoring enforcement activities for those regulations with regard to State member banks of the Federal Reserve System, and the preparation and dissemination of educational materials concerning the rights and responsibilities of both creditors and consumers under these regulations. The Office also administers the Board's consumer complaint handling system.

There are eight major consumer protection laws, in addition to the Federal Trade Commission Improvement Act, which the Office of Saver and Consumer Affairs is responsible for enforcing with respect to banks within its jurisdiction. They are the Truth in Lending Act, the Fair Credit Reporting Act, the Fair Credit Billing Act, the Consumer Leasing Act (once it goes into effect), the Equal Credit Opportunity Act, the Home Mortgage Disclosure Act, Title VIII of the Civil Rights Act of 1968 and the Securities Exchange Act of 1934. With the exception of the Fair Credit Reporting Act and Title VIII of the Civil Rights Act of 1968, the Office of Saver and Consumer Affairs is also responsible for drafting regulations pursuant to these laws.

The Office of Saver and Consumer Affairs maintains a staff of fifty-two members, seventeen of whom are attorneys. The Office is divided into five sections:

(1) General Program Support (which handles consumer complaints) has designated two staff members to handle consumer complaints, only one of whom works full-time on consumer complaints. The other staff member is also responsible for developing consumer education materials;

(2) Fair Credit Practices (which handles Truth in Lending, Fair Credit Billing and Fair Credit Reporting with respect to issuing and implementing regulations);

(3) Equal Credit Opportunity (responsible for issuing and enforcing regulations under the Equal Credit Opportunity Act);

(4) Over-the-Counter (OTC), Fair Housing & Special Studies (provide economic analysis for the other sections); and

(5) Securities Credit Regulation (administers the implementation of the Board's securities regulations).

The proposed budget for 1976 for the Office of Saver and Consumer Affairs is $1,262,339.

In the area of consumer education, the Board of Governors of the Federal Reserve System has distributed large quantities (three million copies) of a leaflet describing the basics of Truth in Lending to consumers. This leaflet also has a Spanish version and has also seen widespread distribution (one-half million copies). These pamphlets list the address of the Board of Governors of the Federal Reserve System for reference in case consumers have questions about Truth in Lending

in connection with a particular credit transaction. The Board has also distributed large quantities of a more technical pamphlet dealing with Truth in Lending which contains the Truth in Lending Act and Regulation Z.

The staff of the Federal Reserve System is currently developing pamphlets similar to the basic Truth in Lending leaflet to explain the provisions of the Fair Credit Billing and Equal Credit Opportunity Acts to consumers. In addition to these printed materials, the Board has also developed a consumer-oriented film strip dealing with the Truth in Lending Act which is available in Washington at the Board and through the regional Federal Reserve Banks.

The complaint handling ability of the Office of Saver and Consumer Affairs has not been widely publicized to consumers. For example, although the Office of Saver and Consumer Affairs' address appears in the "Guide to Federal Consumer Services" published by the Department of Health, Education, and Welfare's Office of Consumer Affairs, no mention is made of the fact that the Office of Saver and Consumer Affairs receives and takes action on consumer complaints. The same ommission occurred in a recently published (June, 1976) consumer guide, *Help: The Useful Almanac* published by Consumer News, Inc., which apparently relied on the "Guide to Federal Consumer Services" as a source for its information on the Federal Reserve System.

*Complaint Handling*

The Office of Saver and Consumer Affairs handles all consumer complaints and inquiries received by the Federal Reserve Board. The Office's main complaint handling responsibilities are to maintain files on complaints and to answer the inquiries received from consumers.

The Office of Saver and Consumer Affairs maintains a detailed statistical procedure using consumer complaint index cards for recording all pertinent information concerning all individual consumer complaints received throughout the country. The index cards are kept in a central filing system in the Washington office, and provide the Office with data for identifying areas of unfair and deceptive practices.

Letters of acknowledgment are sent to consumers upon receipt of their complaints and inquiries by the Office of Saver and Consumer Affairs. Where information has been requested by a consumer, a letter is sent to him which attempts to explain any law or regulation pertaining to his problem. A copy of the law or regulation is usually included for the consumer's information. A general form letter informing the consumer that his complaint has been referred to another agency is sent to the consumer when the complaint falls within the jurisdiction of another agency.

In the first six months of 1976, the Office of Saver and Consumer Affairs received 282 consumer complaints and inquiries. According to the Office of Saver and Consumer Affairs, 69% of these consumer complaints and inquiries were handled within six to ten working days. However, in the Subcommittee's survey on consumers who filed written complaints and inquiries with the Board, only *43%* of those consumers who responded to the question "how long did the agency take to acknowledge receipt of your complaint" stated that the agency acknowledged receipt of their complaints within two weeks.

Referrals of complaints received at the Federal Reserve Board are made to the Federal Trade Commission, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and to the Federal Home Loan Bank Board, when the financial institution involved in the complaint is not a State-chartered bank which is a member of the Federal Reserve System.

Each of the twelve Federal Reserve Banks has designated a consumer affairs specialist who has other duties in addition to complaint handling. The consumer affairs specialist also acts as a contact point between the Reserve Bank and the Office of Saver and Consumer Affairs. When the Office of Saver and Consumer Affairs forwards a consumer complaint to a Federal Reserve Bank, the Federal Reserve Bank corresponds directly with the consumer, and sends copies of all correspondence and pertinent information to the Office of Saver and Consumer Affairs in Washington. Complaints which are sent directly to a regional Federal Reserve Bank by consumers are handled by the Federal Reserve Bank itself. The regional Federal Reserve Banks also send quarterly reports to the Office of Saver and Consumer Affairs in Washington which include statistics on the number and types of consumer complaints and inquiries handled by the Federal Reserve Bank in that quarter.

Consumer complaints initially sent to Congress which are referred to the Board for handling receive priority treatment, according to the Office of Saver and Consumer Affairs. The complaint handling process for complaints referred by Congress is expedited and monitored by the Board's Congressional Liaison Office. A response to the Congressional referral is drafted after the Office of Saver and Consumer Affairs completes its investigation, and is then forwarded to the Liaison Office for approval and signature.

Consumer complaints which require investigation are sent to the Federal Reserve Bank in the district where the member bank involved is located. In these cases, the Federal Reserve Bank is requested to look into the matter and corresponds directly with the consumer. Copies of all letters and information sent to the consumer are forwarded to the Office of Saver and Consumer Affairs in Washington. These complaints are considered to be closed only after the staffs of the Reserve Bank and the Federal Reserve Board are both satisfied that either the problem has been resolved or that the consumer has received an explanation of the relevant circumstances. Where there are special circumstances a bank examiner may make a special trip to the bank involved. However, such trips occur infrequently.

Examiners do not have copies of complaints filed in connection with the bank when they carry out their regular examination of the bank, nor do examiners check bank records to make sure that the bank has been supplying correct information in response to requests for information by the Office of Saver and Consumer Affairs concerning complaints.

Although the Board is considering the establishment of a separate bank examination to check for compliance with consumer protection legislation, its responsibility for enforcing consumer protection laws is currently carried out mainly through its regular examinations used to determine financial soundness. Several Federal Reserve Banks have,

however, already begun conducting separate consumer protection examinations by specially trained staff on an experimental basis. The Subcommittee staff highly recommends this latter approach since relying on examiners whose principal area of expertise is in examining for financial soundness is unlikely to result in strict enforcement of consumer protection laws.

Violations of consumer protection laws may be discovered through bank examinations or as a result of a consumer complaint. When such a violation is detected, the Federal Reserve Bank having jurisdiction over the State-member bank in question attempts to have the bank correct the violation. The Federal Reserve Bank writes a letter to the bank officials informing them of the violations discovered during the examination process and instructing them to correct such violations. Bank management is also informed of possible civil liability under the law. Where small banks are involved, an explanation of relevant provisions of the law is also included.

The Federal Reserve Board and the Federal Reserve Banks have, on occasion, requested restitution for consumers who suffered damages because of a violation of a consumer protection law or who had otherwise been injured by bank actions. However, there is currently no set policy concerning restitution for consumers and, whether or not restitution will be sought in an individual case depends on the particular situation. The Federal Reserve Board has the power to issue cease and desist orders for violation of consumer protection laws, although no such orders have been issued to date for violations of these laws.

In 1975 Federal Reserve System examiners reported 543 violations of the Truth in Lending Act, with an additional 99 violations discovered as a result of consumer complaints, referrals from other governmental agencies and consumer interest groups. In the same year, 173 State-member banks were reported to have violated the Act.

During the first six months of 1976, 282 consumer complaints and inquiries were received by the Board in Washington. A breakdown of their disposition is as follows:

52 referred to the proper agency for handling
18 referred to Federal Reserve Banks
212 handled by the Office of Saver and Consumer Affairs (25 of which were pending resolution as of June 30, 1976)

In addition, from January 1, 1976 through March 31, 1976, 629 consumer complaints were received by the twelve regional Federal Reserve Banks.

All consumer complaints are classified and analyzed to enable the Board to identify problem areas or patterns of abuse. The Office categorizes its statistical data by the Acts which it administers and enforces.

The major types of complaints and inquiries received by the Office of Saver and Consumer Affairs in Washington for the first six months of 1976 concerned:

Regulation B (Equal Credit Opportunity): 99 complaints received
Regulation Z (Truth in Lending): 61 complaints received
General Credit Procedures (such as service charges, deposit accounts, and interest rates): 41 complaints received.

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The results of the consumer survey conducted by the Subcommittee staff indicate that consumers have a mixed opinion of the manner in which their complaints were handled by the Office of Saver and Consumer Affairs.

Sixty-four percent of those consumers who responded to the question "was the matter resolved by the agency to your satisfaction?" replied "no." Thirty-nine percent of those consumers who responded to the question "what is your overall view of the manner in which your complaint or inquiry was handled?" answered "poor." Twenty-seven percent responded "excellent," with 17% responding "good" and 17% "fair."

*Recommendations*

The Federal Reserve Board is responsible, under the Federal Trade Commission Improvement Act, for issuing regulations defining "unfair or deceptive acts or practices" in banking and these regulations are to be enforced by the consumer affairs offices established by the Act. However, the Board has not yet issued such regulations and, until such regulations are issued, these consumer affairs offices can fulfill, at most, only half of their responsibilities under the Act (specifically, acting on complaints received).

The Board of Governors of the Federal Reserve System should not rely solely on complaint statistics in developing these regulations. Although statistics based on the number and types of complaints received from consumers are likely to be helpful in detecting problem areas that consumers have in their dealings with banks, their actual usefulness depends on how accurately they reflect the volume and the nature of the problems which consumers encounter. Because of the lack of efforts to "advertise" the Office of Saver and Consumer Affairs' complaint handling resources, there is a serious question as to whether the consumer complaint statistics which the Board has compiled can be relied upon as an exclusive means of determining whether unfair or deceptive acts or practices are actually occurring.

While compilations and analyses of statistics may aid in identifying problem areas, the Subcommittee staff recommends that additional, *affirmative* steps be taken by the Board in fulfilling its rulemaking responsibilities under the Federal Trade Commission Improvement Act. Such steps should at least include (1) soliciting comment from the public and consumer interest groups on possible unfair or deceptive acts or practices through media likely to reach the public and (2) designating special staff to carry out an independent investigation to determine possible areas of unfair or deceptive acts or practices in banking.

The Federal Trade Commission Improvement Act calls for the establishment of a "separate consumer affairs division" to receive and take appropriate action on complaints. The Subcommittee staff believes that the efficiency and effectiveness of the complaint handling process would be greatly increased by giving the Office of Saver and Consumer Affairs full responsibility for handling complaints received by the Federal Reserve System throughout the nation.

At present, the Office of Saver and Consumer Affairs acts principally as a complaint-forwarder insofar as its complaint handling functions are concerned. Although it does reply to a substantial number of con-

sumer inquiries, it neither becomes involved with on-site investigation of consumer complaints nor does it make requests to individual banks for information concerning the consumer complaint.

Centering responsibility for investigation of consumer complaints in the Office of Saver and Consumer Affairs would result in several significant advantages for consumers: (1) it would be closer to the spirit of the Federal Trade Commission Improvement Act which calls for a separate consumer affairs division dealing with complaints; (2) it would permit each member of the Office of Saver and Consumer Affairs involved in complaint handling to develop expertise in a particular area of consumer law and in particular types of consumer complaints, and (3) it would permit each staff member handling consumer complaints to devote his full attention to complaints.

The staff of the Office of Saver and Consumer Affairs handling complaints would investigate all those complaints which do not require an on-site investigation by making requests for relevant papers and documents and by contacting individuals and banks involved by telephone. The staff should be encouraged to contact the consumer who submitted the complaint, whenever necessary, to clarify the problem or to obtain additional information. Where the consumer complaint involves a set of circumstances (as in potential violations of the Equal Credit Opportunity Act) which cannot be easily resolved by telephone or by requesting written information, a bank examiner should conduct an on-site investigation of the complaint. Such an investigation should be actively supervised by the staff of the Office of Saver and Consumer Affairs.

Copies of all complaints handled by the Office of Saver and Consumer Affairs should be sent to bank examiners at the regional level for their information and use during regular bank examinations. During these examinations the examiner should check a random sample of the records earlier furnished to the Office of Saver and Consumer Affairs to make sure that the information supplied by the bank was accurate. If only a few complaints have been filed in connection with the bank being examined, each one should be checked for the accuracy of the information supplied to the Office of Saver and Consumer Affairs.

The staff believes that insufficient efforts have been made to make the public aware of the complaint handling capacity of the Office of Saver and Consumer Affairs. The staff recommends that affirmative efforts be made to increase public awareness of the Office of Saver and Consumer Affairs and its complaint handling ability which should include, at a minimum:

(1) publication and distribution of informational pamphlets to banks, consumer groups and other interested organizations and persons describing the ability of the Office of Saver and Consumer Affairs to handle consumer complaints.

(2) a requirement that those banks supervised and examined by the Federal Reserve Board prominently display a poster describing the Office of Saver and Consumer Affairs ability to handle consumer complaints and listing the address and telephone number of the Office.

(3) introduction and listing of a nationwide toll-free telephone number for the Office of Saver and Consumer Affairs in telephone directories throughout the country.

The Subcommittee staff also recommends the introduction of a consumer complaint form to promote efficiency in the handling of consumer complaints. A complaint form would be helpful for consumers to use in presenting their complaints and would allow the Office of Saver and Consumer Affairs to specifically request the types of information that it requires to resolve a complaint.

The Subcommittee staff also recommends that the Office periodically evaluate the overall efficiency of its complaint handling system and implement changes which would improve its efficiency.

The staff also recommends continued liaison with other government consumer affairs offices and staff, and recommends increased liaison with consumer groups.

The staff further recommends that all consumer complaints receive equal treatment.

## VI. Comptroller of the Currency

The Office of the Comptroller of the Currency was established by Act of Congress for the purpose of establishing and regulating a national banking system. The Comptroller administers approximately 4,700 national and District of Columbia banks with assets of some $535 billion.

The Office of the Comptroller supervises the operations of national banks, including trust activities and overseas operations. The Office also periodically examines national banks through a nationwide staff of approximately 2,000 examiners, who are supervised by fourteen regional administrators.

The Office must also approve all new national banks, conversion of State-chartered banks into national banks, all mergers of national banks, and the establishment of branches by national banks. The budget for Fiscal Year 1976 is $78,000,000.

The Consumer Affairs Division of the Office of the Comptroller of the Currency was created in March 1974, and became operational in September 1974. The Division was created in anticipation of the passage of the Federal Trade Commission Improvement Act which mandates the establishment of such an office.

The Consumer Affairs Division is responsible for handling consumer complaints, carrying out research studies focusing on certain consumer-related issues (such as credit insurance and savings disclosure) and for assisting in bank examination efforts.

According to the Director of the Consumer Affairs Division, the Office has the following objectives and responsibilities:

> . . . the responsibility of protecting the rights of the public in dealing with banks under our jurisdiction. The Division has attempted to make this Office more accessible and responsive to the public. We encourage the public to contact us about complaints they have against national banks, to seek information and present their views. The input we receive is beneficial to our program of policy development. This Office has responsibility for enforcing compliance with State and Federal consumer laws and regulations as they apply to national banks . . . The Consumer Affairs Division maintains continuing liaison with other Federal regulatory agencies. State banking departments, consumer interest groups, and industry associations for mutual assistance and an interchange of ideas in the field of banking consumer protection.

The Consumer Affairs Division is responsible for the enforcement of the Truth in Lending Act, the Fair Credit Reporting Act, the Fair Credit Billing Act, the Consumer Leasing Act (once it goes into effect), the Equal Credit Opportunity Act, Title VIII of the Civil Rights Act of 1968, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedure Act, the Equal Employment Opportunity Act, State usury laws and State consumer protection laws.

The Consumer Affairs Office, a division of the Comptroller of the Currency, has a budget of $122,000 for 1976 which is allocated through the Comptroller's Office. The Consumer Affairs Division has five staff members: the Director, who is responsible for carrying out the functions of the Office; two secretaries; and two consumer affairs specialists, one of whom handles computer data and follow up procedures concerning consumer complaints, and the other specialist who handle regulatory and statutory matters.

The Consumer Affairs Division publishes no pamphlets or literature to educate the public or to inform them of the existence and functions of the office. According to the Director, the idea of publishing written materials was contemplated, but a decision not to publish was made because it was believed that enough materials were being published and distributed by other consumer organizations and banking trade associations.

*Complaint Handling*

The Consumer Affairs Division receives all consumer complaints and inquiries directed to the Office of the Comptroller of the Currency in Washington, and maintains records on all complaints received.

Consumer complaints and inquiries are recorded in a computerized Consumer Complaint Information System which categorizes all the complaints received in Washington and the fourteen regional offices. The information on the computer is used to identify patterns of abuse by individual banks and to monitor complaints in specific complaint areas.

The data on the computer is also used for policy analysis by the Office. The statistics compiled by the computer are reviewed by the staff on a quarterly basis. However, no recommendations have been made as a result of such reviews. The need to examine banks more intensely for compliance with consumer protection laws has resulted in efforts to develop a separate consumer protection law compliance examination for all national banks.

Consumer complaint referrals are made to State Banking Departments, the Federal Trade Commission and the Federal Reserve Board. Complaint referrals are received from the Federal Trade Commission, the Federal Deposit Insurance Corporation, the Office of Consumer Affairs located in the Department of Health, Education, and Welfare, and from Congress.

According to the Director of the Consumer Affairs Division, Congressional referrals received by his office are likely to receive a quicker acknowledgement than other complaints, but receive no priority in the investigational process. However, in the consumer responses to the questionnaire sent out by the Subcommittee on Consumer Affairs,

several consumers who had had complaints referred to the Consumer Affairs Division by Congressional offices stated that their complaints had received prompt and efficient handling as a result of Congressional intervention. They stated that they felt that the handling would have taken considerably longer if they had written directly to the Consumer Affairs Division.

According to the Consumer Affairs Division, a letter of acknowledgement is sent to the complainant upon receipt of a consumer complaint, as well as a request to the bank involved asking for the bank's explanation of the complaint. However, the Consumer Affairs Division does not respond to all of the consumer complaints and inquiries which it receives. Consumers submitting complaints who are considered by the Division to be "obviously unstable or not capable of understanding that a problem does not exist" do not receive an acknowledgement upon receipt of their complaints.

When work on a complaint is completed, the consumer is sent a final letter informing him of the factual findings of the investigation. According to the Director of the Consumer Affairs Division, a final response is generally sent to the consumer within four weeks after receipt of the complaint. However, the consumer may not hear from the Consumer Affairs Division until the complaint is resolved by the Division regardless of the amount of time required for the investigation. An illustration of the delay by the Division in sending final letters is the eight hundred and one consumer complaints, one quarter of all complaints received in 1976 as of July 19, 1976, which the Division has listed as pending. These consumers have not received final letters of resolution.

The actual investigation of a complaint received by the Washington office is handled by the Law Department of the Office of the Comptroller. There are two attorneys who work full-time on consumer complaints from this department. If further investigation if required, the complaint is referred to the appropriate regional office for additional investigation by a bank examiner.

Examiners do not check bank records during regular bank examinations to make certain that the information which the bank had earlier supplied concerning the consumer complaint was correct. However, where there is a "complex" factual situation, bank examiners do go to banks to obtain information relevant to complaints. In the first six months of 1976, approximately ten to twelve consumer complaints filed with the Consumer Affairs Division in Washington had resulted in such special investigation by bank examiners in order to obtain information needed to resolve consumer complaints. When the special investigation is completed, the factual information concerning the complaint is sent either to the Washington office, or, if the complaint was originally received by a regional office, to the regional office. The matter is then analyzed by the staff and the consumer is informed of the findings. If a violation has occurred, the consumer is informed of the remedies which are available and corrective action is taken to enforce compliance by the bank with the law.

There are several actions which the Consumer Affairs Division may recommend to the Comptroller to insure that banks comply with the consumer protection laws: (1) Restitution may be sought where the consumer has suffered a monetary loss as a result of a bank's violation

of a law. Of the complaints received from January 1 to July 19, 1976, 264 resulted in consumer reimbursement. Records of the amounts of money involved in such reimbursements are not maintained by the Consumer Affairs Division. (There is currently some uncertainty within the agency as to the legal authority it has to require restitution for consumers); (2) In instances of repeated violations of consumer protection laws, the Division may seek a formal agreement with the bank to comply with these laws. The agreement, if violated, may result in the issuance of a cease and desist order; and (3) A cease and desist order may be issued in extreme cases of continuous violations, but this measure is taken only as a last resort. According to the Director of the Division, relatively few cease and desist orders are issued, although several banks are under formal agreement with the agency.

No consumer complaints have resulted in the imposition of civil sanctions, nor have any cases been referred to the Department of Justice as a result of consumer complaints. However, referrals to the Department of Justice have been made on the basis of violations discovered during regular bank examinations. Most of these referrals involved violations of Regulation Z (Truth in Lending).

From January 1 to July 19, 1976, 3,278 consumer complaints and inquiries were received by the Comptroller's Consumer Affairs Division. The most numerous types of compaints received by the Consumer Affairs Division and the regional offices of the Comptroller are as follows:

| | Complaints |
|---|---|
| Deposit Function: | |
| Deposit not credited | 104 |
| Discrepancy in account | 205 |
| Service charges | 85 |
| Forged signature or endorsement | 78 |
| Loan Function: | |
| Amount of interest charges—usury | 132 |
| Regulation Z—Fair Credit Billing | 126 |
| Individual credit decision | 113 |
| Other Functions: | |
| General complaints including advertising, incompetent or rude personnel, lost or stop payment of official checks or money orders | 263 |
| Trust service | 130 |

The following statistics describe how complaints received in 1976 were resolved.

| | Complaints |
|---|---|
| Bank legally correct | 825 |
| Open complaints | 801 |
| Information | 598 |
| Factual disputes—contestable | 323 |
| Referral to other agency | 196 |
| Consumer reimbursed—bank legally correct | 158 |
| Consumer reimbursed—bank error | 106 |
| Bank error | 100 |

Even though the eight hundred and one complaints listed as "open complaints" are included in "Consumer Complaints Resolutions" statistics, the majority of these complaints are pending resolution according to the Director of the Consumer Affairs Division.

*Recommendations*

The Federal Trade Commission Improvement Act calls for the establishment of a "separate consumer affairs division" to receive and take appropriate action on complaints. The Subcommittee staff believes

that the efficiency and effectiveness of the complaint handling process would be greatly increased by giving the Consumer Affairs Division full responsibility for handling all complaints received by the Comptroller of the Currency throughout the nation.

At present, the Consumer Affairs Division turns over the complaints it receives to Comptroller staff within the Legal Division for investigation. Complaints received by regional offices are handled by those offices. Thus, the Consumer Affairs Division itself neither becomes involved with on-site investigation of consumer complaints nor does it itself make requests to individual banks for information concerning the consumer complaint.

Centering responsibility for investigation of all consumer complaints received by the Comptroller of the Currency in the Consumer Affairs Division would result in several significant advantages for consumers: (1) it would be closer to the spirit of the Federal Trade Commission Improvement Act which calls for a separate consumer affairs division dealing with complaints; (2) it would permit each member of the Consumer Affairs Division to develop expertise in a particular area of consumer protection law and in particular types of consumer complaints; and (3) it would permit each staff member handling consumer complaints to concentrate his full attention on complaints.

The staff of the Consumer Affairs Division would investigate all those complaints which do not require an on-site investigation by making requests for relevant papers and documents concerning the complaint and by contacting individuals and banks involved by telephone. The staff should be encouraged to contact the consumer who submitted the complaint, whenever necessary, to clarify the problem or to obtain additional information. Where the consumer complaints involves a set of circumstances (as in potential violations of the Equal Credit Opportunity Act) which cannot be easily resolved by telephone or by requesting written information, a bank examiner should conduct an on-site investigation of the complaint. Such an investigation should be actively supervised by the staff of the Consumer Affairs Division.

Copies of all complaints handled by the Consumer Affairs Division should be sent to bank examiners at the regional level for their information and use during regular bank examinations. During these examinations the examiner should check a random sample of the records earlier furnished to the Consumer Affairs Division to make sure that the information supplied by the bank was accurate. If only a few complaints have been filed in connection with the bank being examined, each one should be checked for the accuracy of the information supplied to the Consumer Affairs Division.

The Subcommittee staff recommends that a consumer affairs specialist be designated at each regional office to act as a liaison between the Consumer Affairs Division and the regional office. The duties of the person holding such a position would include (1) oversight on the investigation of consumer complaints being handled by the bank examiners in the region, (2) coordination of consumer complaint correspondence, and (3) responsibility for publicizing the Consumer Affairs Division and its complaint handling functions as well as for consumer education within the region.

According to the Director of the Consumer Affairs Division, the Division has attempted to make the Division more accessible and responsive to the public. However, the success of these attempts is put into question by the results of the survey conducted by the Subcommittee staff. In a random sampling of consumers who had filed written complaints or inquiries in 1976 with the Comptroller of the Currency in Washington, D.C. 58% of those consumers who returned the questionnaire rated the overall complaint handling process as "poor." In addition, 69% of those consumers who returned the questionnaire responded that the Office took *longer than two weeks to acknowledge receipt* of their complaints. Also, 69% of those consumers who responded to the question "was the matter resolved to your satisfaction?" replied "no."

The Subcommittee staff believes that the Consumer Affairs Division has been remiss in its failure to make affirmative efforts to publicize its existence and its ability to handle consumer complaints. A consumer affairs office is of little value if consumers have never heard of it. The staff recommends that affirmative efforts be taken to increase public awareness of the existence of the Consumer Affairs Division and its ability to handle consumer complaints, which should include, at a minimum:

**(1) publication and distribution of informational pamphlets to banks, consumer groups and other organizations and persons describing the ability of the Consumer Affairs Division to handle consumer complaints.**

**(2) a requirement that national banks and those operating under the code of law for the District of Columbia prominently display a poster describing the Consumer Affairs Division's ability to handle consumer complaints and listing the address and telephone number of the Division.**

**(3) introduction and listing of a nationwide toll-free number for the Consumer Affairs Division in telephone directories throughout the country.**

The Subcommittee staff also recommends the introduction of a consumer complaint form to promote efficiency in the handling of consumer complaints. A complaint form would be helpful for consumers to use in presenting their complaints and would allow the Consumer Affairs Division to specifically request the types of information that it requires to resolve a complaint.

The Subcommittee staff recommends that all consumers receive a response from the Consumer Affairs Division.

The Subcommittee staff also recommends that the Division periodically evaluate the overall efficiency of its complaint handling system and implement changes which would improve its efficiency.

The staff also recommends continued liaison with other government consumer affairs offices and staff, and recommends increased liaison with consumer groups.

## VII. Federal Deposit Insurance Corporation

The Federal Deposit Insurance Corporation was established to promote and preserve public confidence in banks and to protect bank depositors' funds by providing insurance coverage for bank deposits. The Corporation insures national banks, most state banks, and some mutual savings banks. The Corporation is also responsible for the examination and supervision of FDIC-insured State-chartered banks which are not members of the Federal Reserve System.

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The Federal Deposit Insurance Corporation is headed by a Board of Directors which includes the Comptroller of the Currency and two others who are appointed by the President with the advice and consent of the Senate. There are fourteen regional offices of the Federal Deposit Insurance Corporation. The budget for Fiscal Year 1976 is $72,000,000.

The Federal Deposit Insurance Corporation is responsible for the enforcement of the Truth in Lending Act, the Fair Credit Reporting Act, the Fair Credit Billing Act, the Consumer Leasing Act (once it goes into effect), the Equal Credit Opportunity Act, the Home Mortgage Disclosure Act and Title VIII of the Civil Rights Act of 1968. It also has responsibilities under the Real Estate Settlement Procedure Act.

The Office of Bank Customer Affairs was created in accordance with and has responsibilities under the Federal Trade Commission Improvement Act which required the establishment of a separate consumer affairs division within the Corporation.

In addition, the Federal Deposit Insurance Corporation's Board of Directors delegated four major responsibilities to the Office of Bank Customer Affairs to be carried out in the interest of bank customers in banks supervised and examined by the Corporation. They are:

(1) To receive and dispose of all bank customer complaints and inquiries;
(2) To recommend to the FDIC Board of Directors proposed regulations and policy statements for the protection of bank customers;
(3) To recommend to the FDIC Board of Directors formal enforcement action against banks where previous efforts to achieve compliance with laws, regulations or policy statements affecting bank customers have been unsuccessful; and
(4) To recommend to the FDIC Board of Directors special investigations and surveys related to bank customer matters.

Although these responsibilities were delegated over one and a half years ago by the Board of Directors, the Office of Bank Customer Affairs states that two proposals have been made concerning bank customers which resulted from consumer complaint input: (1) regulations are presently being drafted by the FDIC's Legal Division to amend its regulations requiring certain disclosures on time deposits; and (2) a training seminar in fair lending is being developed in coordination with the FDIC's Division of Bank Supervision, as well as a manual of investigatory procedures for the agency's examiners.

The Office of Bank Customer Affairs is responsible for recommending to the Federal Deposit Insurance Corporation's Board of Directors, policy statements and proposed regulations applicable to insured State-chartered non-member banks for the protection of bank customers. As stated in its Annual Report to Congress for 1975, the Office did not deem it necessary to submit recommendations in these areas, but failed to disclose the circumstances which led the Office to this conclusion.

The Office of Bank Customer Affairs presently has a staff of five, which includes the Director, a consumer affairs specialist, a research assistant, and two clerk-typists.

Although the Office of Bank Customer Affairs did not have a formal budget for 1976, the Executive Office of the Corporation allocated $81,000 from the Executive Office's budget for the salaries of the five staff members.

The Federal Deposit Insurance Corporation was the last of the three banking regulatory agencies covered by the Federal Trade Commission Improvement Act to establish the required consumer affairs division. While the Comptroller of the Currency and the Board of Governors of the Federal Reserve System undertook to establish consumer affairs divisions before the FTC Improvement Act became law in January, 1975, the Federal Deposit Insurance Corporation did not establish its consumer affairs division until April, 1975. The entire staff for 1975, consisted of only one full-time member, the Acting Director. A consumer affairs specialist assisted in handling consumer complaints, but was not a permanent staff member during *that* year.

In addition to the slow start of the Office, the staff level of the Office of Bank Customer Affairs was *misrepresented* in the Office's Annual Report to Congress for the year 1975. The report, dated March 15, 1976, stated on its first page, "Staff of the Office *presently* (emphasis added) includes: a Director, three consumer affairs specialists, (having a background in law, bank examination, or a bank-related discipline), one research assistant, and three clerical support personnel." However, at the time the report was submitted to Congress, the Office had only a staff of four, consisting of the Director, one consumer affairs specialist, one research assistant and one clerk-typist. As of August, 1976, the staff level still had not reached the level of eight people represented in the Annual Report.

The Office of Bank Customer Affairs has issued no pamphlets or literature aimed at educating consumers, nor have any efforts been made to publicize the existence of the Office and its functions to consumers. In the Office of Bank Customer Affairs' Annual Report to the Congress for 1975, the Office stated that it had not made a concerted effort to publicize the existence of the Office. Although, the report stated that publicizing the existence of the Office to the public would be an objective for 1976, no steps have been taken to achieve this goal, nor are any specific plans under consideration.

*Complaint Handling*

The Office of Bank Customer Affairs maintains a thorough record-keeping system on complaints and inquiries. Complaints are listed on a computer by complainant's name, by bank name, by type of complaint and by date of receipt of the complaint.

The Office of Bank Customer Affairs has no investigational functions. The investigative and examination work is performed by the Division of Bank Supervision and the Legal Division of the Federal Deposit Insurance Corporation.

When a complaint is received by the Office of Bank Customer Affairs, it is sent to the appropriate regional office for investigation by a bank examiner. If a violation of a banking practice is found, the examiner will discuss the violation with the bank. If the bank does not change the practices found to have been in violation of the laws, the Regional Director of the Federal Deposit Insurance Corporation will send the bank a letter requesting the bank to comply with the laws and regulations.

The Federal Deposit Insurance Corporation's Board of Directors has the authority to issue cease and desist orders to enforce compliance with laws under the agency's jurisdiction. However, a cease and desist

order has never been issued for a violation of a consumer protection law, nor has the Office of Bank Customer Affairs ever recommended to the Board a cease and desist order be issued because of a consumer complaint.

Since the establishment of the Office of Bank Customer Affairs, no civil sanctions have been imposed on banks as the result of a consumer complaint. According to the Office of Bank Customer Affairs, investigations of complaints have not revealed any criminal activity which would require the imposition of criminal sanctions. No *consumer complaints* have been referred to the Department of Justice for further investigation or prosecution. However, the Federal Reserve System's Annual Report to Congress on Truth in Lending for the Year 1975, states that the Federal Deposit Insurance Corporation has referred five cases of apparent willful and knowing violations to the Justice Department for possible criminal prosecution. Although the referrals of these five cases were not the result of consumer complaints, they indicate the potential for abuse of consumers.

Bank examiners have copies of all consumer complaints filed against a bank when they carry out their regular examination of the bank. Generally, if the complaint appears to have been resolved and the consumer has not indicated dissatisfaction with the resolution of his complaint, the examiner will do nothing further in connection with the complaint. If needed, the examiner will take follow-up action. However, the bank examiner does not systematically check to see that the information which the bank has supplied in response to the Federal Deposit Insurance Corporation's request for information concerning complaints has been accurate.

According to the Office of Bank Customer Affairs, when an investigation is required, approximately thirty-three days on the average are needed to process the complaint with approximately six days being required to process an inquiry. However, the experience of the Subcommittee has indicated that a considerably longer time passes. A consumer's complaint letter was forwarded from the Subcommittee on Consumer Affairs to the Office of Bank Customer Affairs on June 22, 1976. The Subcommittee specifically requested that a follow-up letter be sent to it to enable it to properly respond to the consumer. *Thirteen weeks after* the Congressional referral was sent, the Office of Bank Customer Affairs had still not acknowledged receipt of the complaint, nor supplied details of the investigation which had been requested.

From April 1, through December 1975, 506 consumer complaints were received by the Office of Bank Customer Affairs. The major areas of complaint dealt with deposit and loan functions. A listing of the most frequently occurring types of complaints received by the Office are as follows:

| | |
|---|---|
| Deposit Function: | |
| Discrepancy in account | 61 |
| Advertising | 41 |
| Premature withdrawal penalty | 40 |
| Payment of interest | 29 |
| Loan Function: | |
| Regulation Z—disclosure statement | 17 |
| Repossession—foreclosure | 14 |
| Equal Credit Opportunity Act | 12 |

As of September 1, 1976, statistics are available only for the period January 1 through March 31, 1976. During this period the Office of Bank Customer Affairs received 186 complaints. The numerical breakdown to these complaints by type of complaint is as follows:

| | |
|---|---|
| Deposit function | 102 |
| Loan function | 64 |
| Others | 20 |

The Office of Bank Customer Affairs is a referral center between consumers and the regional offices of the agency, where the investigational work is done. The actual work of the Office with respect to complaint handling entails receiving complaints and inquiries, statistical recording of complaints, referring complaints for investigation and informing consumers of the factual findings concerning their complaint.

The establishment of the Office of Bank Customer Affairs seems to indicate a rather effortless reshuffling within the Division in order to comply with the Federal Trade Commission Improvement Act. The Act specifically states that the agency establish ". . . separate division of consumer affairs . . ." to handle consumer complaints. However, the Office of Bank Customer Affairs (1) to date, shares office space with several other offices in the Division of Bank Supervision; (2) was not designated as a separate cost center for the 1976 budget; and (3) during its first year of existence was inadequately staffed.

The Office of Bank Customer Affairs is responsible for representing the interests of consumers within the Federal Deposit Insurance Corporation. However, the Office has made no recommendations to the Board relating to consumer matters.

The Office has also failed to make any attempts to publicize the existence of functions of the Office.

With all of these factors, the Subcommittee staff concludes that the Office of Bank Customer Affairs has not taken its responsibility to consumers seriously.

*Recommendations*

The Federal Trade Commission Improvement Act calls for the establishment of a "separate consumer affairs division" to receive and take appropriate action on complaints. The Subcommittee staff believes that the efficiency and effectiveness of the complaint handling process would be greatly increased by giving the Office of Bank Customer Affairs full responsibility for handling complaints received by the Federal Deposit Insurance Corporation throughout the nation.

At present, the Office of Bank Customer Affairs acts as a complaint-forwarder. It neither becomes involved with on-site investigation of consumer complaints nor makes requests to individual banks for information concerning the consumer complaint. The Office of Bank Customer Affairs relies on bank examiners in the field to carry out investigations of complaints received. It should be noted that bank examiners have other duties in addition to complaint handling.

Centering responsibility for investigation of consumer complaints in the Office of Bank Customer Affairs would result in several significant advantages for consumers: (1) it would be closer to the spirit of the Federal Trade Commission Improvement Act which calls for a

separate consumer affairs division; (2) it would permit each member the Office of Bank Consumer Affairs to develop expertise in a particular area of consumer law and in particular types of consumer complaints and (3) it would permit each staff member handling complaints to concentrate his full attention on complaints.

The staff of the Office of Bank Customer Affairs would investigate all those complaints which do not require an on-site investigation by making requests for relevant papers and documents and by contacting individuals and banks involved by telephone. The staff should be encouraged to contact the consumer who submitted the complaint, whenever necessary, to clarify the problem or to obtain additional information. Where the consumer complaint involves a set of circumstances (as in potential violations of the Equal Credit Opportunity Act) which cannot be easily resolved by telephone or by requesting written information, a bank examiner should conduct an on-site investigation of the complaint. Such an investigation should be actively supervised by the staff of the Office of Bank Customer Affairs.

Copies of all complaints handled by the Office of Bank Customer Affairs should be sent to bank examiners in the regional offices for their information and use during regular bank examinations. During these examinations the examiner should check a random sample of the records earlier furnished to the Office of Bank Customer Affairs to make sure that the bank being examined has been supplying accurate information in connection with consumer complaints. If only a few complaints have been filed in connection with the bank being examined, each one should be checked.

The Subcommittee staff recommends that a consumer affairs specialist be designated at each regional office to act as a liasion between the Office of Bank Customer Affairs and the regional office. The duties of the person holding such a position would include (1) oversight on the investigation of consumer complaints being handled by bank examiners in the region, (2) coordination of consumer complaint correspondence, and (3) responsibility for publicizing the Office of Bank Customer Affairs and its complaint-handling functions as well as for consumer education within the region.

The Office of Bank Customer Affairs maintains that its program in the consumer area has assisted many consumers with their banking problems and contributed toward the general education of the consumer in banking. However, the accuracy of this assertion is disputed by the results of a survey conducted by the Subcommittee staff. In a random sampling of consumers who filed written complaints or inquiries with the Federal Deposit Insurance Corporation in 1976, 55% rated the overall complaint handling process as *poor*.

In addition, 69% of those consumers who responded to the question "was the matter resolved by the agency to your satisfaction?" replied "no."

The Subcommittee believes that the Office of Bank Customer Affairs has been remiss in its failure to take affirmative efforts to publicize its existence and its ability to handle consumer complaints. A consumer affairs office is of little value if consumers have never heard of it. The Office of Bank Customer Affairs in its Annual Report to Congress for the year 1975 *itself* acknowledges the need for such publicity, but thus far in 1976 has taken no steps in this area.

Affirmative efforts to be taken to increase public awareness of the existence of the Office of Bank Customer Affairs and its ability to handle consumer complaints should include, at a minimum:

(1) publication and distribution of informational pamphlets to banks, consumer groups and other interested organizations and persons describing the Office of Bank Customer Affairs' ability to handle consumer complaints.

(2) a requirement that State-chartered banks supervised and examined by the Federal Deposit Insurance Corporation prominently display a poster describing the Office of Bank Customer Affairs' ability to handle consumer complaints and listing the address and telephone number of the Office.

(3) introduction and listing of a nationwide toll-free telephone number for the Office of Bank Customer Affairs in telephone directories throughout the country.

The Subcommittee staff also recommends the introduction of a consumer complaint form to promote efficiency in the handling of consumer complaints. A complaint form would be helpful for consumers to use in presenting their complaints and would allow the Office of Bank Customer Affairs to specifically request the types of information that it requires to resolve a complaint.

The Subcommittee staff recommends that the additional positions already authorized for the Office of Bank Customer Affairs be filled and that those persons hired be well-qualified in the consumer affairs field. In addition, the staff recommends that the Office of Bank Customer Affairs have its own separate office quarters.

The Subcommittee staff further recommends that future annual reports to Congress required by the Federal Trade Commission Improvement Act be detailed and not misrepresent any facts concerning the Office of Bank Customer Affairs' size or operations.

The Subcommittee staff also recommends that the Office periodically evaluate the overall efficiency of its complaint handling system and implement changes which would improve its efficiency.

The staff further recommends continued liaison with other government consumer affairs offices and staff, and recommends increased liaison with consumer groups.

### COMPLAINT HANDLING IN THE NATIONAL CREDIT UNION ADMINISTRATION AND THE FEDERAL HOME LOAN BANK BOARD

Unlike the Federal Reserve Board, the Federal Deposit Insurance Corporation and the Comptroller of the Currency, the National Credit Union Administration and the Federal Home Loan Bank Board do not have consumer affairs offices mandated by statute.

The National Credit Union Administration, however, recently, established a consumer affairs office without being required to do so by law. The Federal Home Loan Bank Board has no consumer affairs office.

## VIII. National Credit Union Administration

The National Credit Union Administration was established in 1970, as an independent agency in the executive branch to serve as an regulatory agency for all federally chartered credit unions. The National Credit Union Administration is responsible for chartering new credit unions, supervising and examining approximately 13,000 Federal credit unions, and insuring Federal and approved State-chartered credit unions.

There are six regional offices of the National Credit Union Administration. The overall National Credit Union Administration budget for 1976 is approximately $17,296,000.

The National Credit Union Administration is responsible for enforcing the Truth in Lending Act, the Fair Credit Reporting Act, the Fair Credit Billing Act, the Consumer Leasing Act (once it goes into effect), the Equal Credit Opportunity Act, the Home Mortgage Disclosure Act and Title VIII of the Civil Rights Act of 1968 with respect to those credit unions which it examines.

Until recently the National Credit Union Administration had no consumer affairs office. But on July 22, 1976, although there was no law requiring such action, Administrator C. Austin Montgomery directed the establishment of a consumer affairs division within the National Credit Union Administration in one of his first acts as Administrator.

According to the National Credit Union Administration, the objectives and responsibilities of the Division of Consumer Affairs are to be as follows:

> . . . to help credit union officials achieve high quality in the implementation of consumer regulations in the simplest and most effective manner. The principle responsibilities of the Division of Consumer Affairs are: (a) to assist NCUA staff and credit union officials in understanding and carrying out the requirements of the various consumer regulations, (b) to coordinate a responsive system of handling credit union consumer complaints and (c) to develop training programs and appropriate brochures concerning the rights and responsibilities of credit unions as well as their members.

The Division of Consumer Affairs will operate as a division of the Office of Examination and Insurance, and is to be initially staffed with a director, an analyst and clerk-typist. The National Credit Union Administration anticipates that the Division of Consumer Affairs will be fully operational and staffed by early September, 1976.

Prior to the establishment of the Division of Consumer Affairs, consumer complaints by credit union members were handled by the Office of Examination and Insurance, which had designated several staff members to handle consumer complaints and inquiries. Six attorneys from the General Counsel's Office were also available to handle consumer complaints.

*Complaint Handling*

The National Credit Union Administration's Washington Office receives approximately one third of all consumer complaints and inquiries received by the agency nationally.

Upon receipt of a consumer complaint at the Washington Office, an acknowledgement is sent out within five days according to the Administration.

Consumer complaints by credit union members sent to the Washington Office are handled as follows: (1) the complaint is forwarded to the Director of the region in which the credit union involved in the complaint is located. The Regional Director then writes to the Supervisory Committee of the credit union involved requesting an investigation and asking it to attempt to resolve the complaint. (A Supervisory Committee is composed of three or more credit union members responsible for internal audits); (2) After the investigation has been completed, the Supervisory Committee sends its factual findings to

the Regional Director, who then corresponds with the consumer. The complaint, according to the Office of Examination and Insurance is usually resolved at this point: (3) Where the complaint itself indicates that the individual has already complained without satisfaction to the Supervisory Committee of the credit union involved, the Regional Director sends an examiner to the credit union to investigate the complaint. According to the Office of Examination and Insurance, complaints of this type frequently do not appear to have much validity, but even in these instances, on-site investigations are nevertheless carried out by examiners. As a general rule, however, examiners rarely investigate complaints other than during their periodic examinations of credit unions.

A numerical breakdown of types of consumer complaints is not available. According to the Office of Examination and Insurance, however, 60% of the consumer complaints received by the National Credit Union Administration concern credit discrimination.

A recent survey by the agency indicated that the number of complaints received by the Washington Office was averaging twelve per week. According to the Office of Examination and Insurance, this figure represents a significant increase over past levels. Currently, the National Credit Union Administration is establishing a data collection system which will record the number and types of consumer complaints received.

The National Credit Union Administration does not have procedures or maintain a system of records through which information is available concerning the imposition of civil sanctions upon federally insured credit unions. According to the Office of Examination and Insurance, however, only a very limited number of sanctions have been imposed and only for small amounts.

No consumer complaints have resulted in criminal sanctions, nor in referrals to the Department of Justice for further investigation or prosecution. According to the Office of Examination and Insurance, where credit unions have been in violation, they have agreed to and have taken the necessary corrective action.

At the time of the annual examination of a credit union, the examiner receives a field file containing documents and correspondence relating to the particular credit union being examined. Part of the examination procedure is to review the correspondence to see if any follow up action is required. However, there is no specific requirement that examiners check out the accuracy of information supplied by the credit union to the National Credit Union Administration as a result of a consumer complaint.

The results of the consumer survey conducted by the Subcommittee staff indicate that consumers have a mixed opinion of the manner in which their complaints were handled by the National Credit Union Administration. Sixty-two percent of those consumers who responded to the question "was the matter resolved by the agency to your satisfaction?" replied "no." Thirty-four percent of those consumers who responded to the question "what is your overall view of the manner in which your complaint or inquiry was handled?" responded "*poor.*" Twenty-eight percent also responded "excellent," with twenty-eight percent responding "fair," and ten percent responding "good."

The survey also indicated that 52% of the consumers whose complaints were received by the National Credit Union Administration did not receive an acknowledgement within two weeks.

*Recommendations*

The Subcommittee staff believes that the complaint handling process within the National Credit Union Administration would be improved by giving the newly-created Division of Consumer Affairs full responsibility for all consumer complaints received by the National Credit Union Administration throughout the nation. Rather than forwarding complaints received by the National Credit Union Administration in Washington to Regional Offices for further action, the staff of the Division of Consumer Affairs would itself act on those consumer complaints which do not require an on-site investigation. The staff would make requests to the credit union in question for relevant papers and documents and contact individuals and credit unions by telephone. Where the consumer complaint involves a set of circumstances (as in potential violations of the Equal Credit Opportunity Act) which cannot be easily resolved by telephone or by requesting written information, an examiner should be sent out to conduct an on-site investigation of the complaint. The staff of the Division of Consumer Affairs should be encouraged to contact the consumer who submitted the complaint whenever necessary to clarify the problem or to obtain additional information. In addition, the staff should actively supervise the handling and resolution of those complaints sent to regional offices for such on-site investigation.

The Subcommittee staff recommends that a consumer affairs specialist be designated at each regional office to act as a liaison between the Division of Consumer Affairs and the Regional Office. The duties of the person holding such a position would include (1) oversight on the investigation of consumer complaints being handled by examiners in the region, (2) coordination of consumer correspondence, and (3) responsibility for publicizing the Division of Consumer Affairs and its complaint handling functions as well as for consumer education within the region.

Efforts should be made to publicize the Division of Consumer Affairs and its complaint handling ability. Such efforts should include, at a minimum:

(1) publication and distribution of informational pamphlets to credit unions, consumer groups and other interested organizations and persons describing the Division of Consumer Affair's ability to handle consumer complaints.

(2) a requirement that credit unions examined by the National Credit Union Administration prominently display a poster describing the Division of Consumer Affair's ability to handle consumer complaints and listing the address and telephone number of the Division.

(3) introduction and listing of the nationwide toll-free telephone number for the Division of Consumer Affairs in telephone directories throughout the country.

The Subcommittee staff recommends the introdutcion of a consumer complaint form to promote efficiency in the handling of consumer complaints. A complaint form would be helpful to consumers to use in presenting their complaints and would allow the Division of Consumer Affairs to specifically request the types of information that it requires to resolve a complaint.

The Subcommittee staff also recommends that the Division of Consumer Affairs:

(1) periodically recommend policies to the Administrator to protect consumer interests.

(2) periodically analyze the statistical data it has gathered concerning consumer complaints in order to suggest changes which can be made to prevent similar complaints in the future.

(3) maintain its liaison with other government consumer affairs offices and staff, and with consumer groups.

(4) periodically evaluate the overall efficiency of its complaint handling system and implement changes which would improve its efficiency.

The Subcommittee staff recommends that the Division of Consumer Affairs supply copies of all complaints which it handles to field examiners for their information and use during regular examinations of credit unions. During these examinations the examiner should check a random sample of the records earlier furnished to the National Credit Union Administration to make sure that the information supplied by the credit union was accurate. If only a few complaints have been filed involving the credit union, each one should be checked.

## IX. Federal Home Loan Bank Board

The Federal Home Loan Bank Board not only regulates Federally-chartered savings and loan associations, but also serves as a credit reserve for member savings and loan institutions engaged in home mortgage lending. The Bank Board is a relatively small Federal agency regulating a $300 billion industry. The total budget for Fiscal Year 1976 for administrative expenses for the Bank Board is $14,665,000.

The Board is responsible for the administration and enforcement of the Federal Home Loan Bank Act, the Home Owners' Act of 1933, Title IV of the National Housing Act and the Bank Protection Act of 1968. It is also responsible for the enforcement of the Truth in Lending Act, the Fair Credit Reporting Act, the Fair Credit Billing Act, the Consumer Leasing Act (once it goes into effect) the Equal Credit Opportunity Act the Home Mortgage Disclosure Act and Title VIII of the Civil Rights Act of 1968.

The Federal Home Loan Bank Board has no office whose sole responsibility is consumer affairs. However the Office of Housing and Urban Affairs a division of the Bank Board established by an order of the Chairman on September 3, 1970, handles *some* consumer complaints and inquiries.

The Office of Housing and Urban Affairs describes its objectives and responsibilities as follows:

The Office of Housing and Urban Affairs is responsible for advising the Board on housing, urban problems, and minority affairs and for recommending policies pertaining to these areas. This Office develops, implements, and evaluates programs to encourage housing investment and rehabilitation in older urban neighborhoods, prevent discrimination in lending and employment by savings and loan associations which have Federal charters or insurance of accounts by the Federal Savings and Loan Insurance Corporation. This Office also serves as the Board's liaison with the Office of Consumer Affairs at the Department of Health, Education, and Welfare; the United States Commission on Civil Rights; and other Government agencies and organizations concerned with consumer or minority affairs.

Although the Office of Housing and Urban Affairs is listed as a consumer contact point in the "Guide to Federal Consumer Services" published by the Department of Health, Education, and Welfare's Office of Consumer Affairs, the Office of Housing and Urban Affairs is not responsible for all consumer complaints. The Office of Examinations and Supervision, the Bank Board's Congressional Liaison Office and the Supervisory Agents in the regional offices are also responsible for handling certain types of complaints, and for handling complaints from certain referral offices. The jurisdiction of each office in handling consumer complaints is confusing because there are several areas which overlap.

The following chart explains the responsibility of the offices which handle consumer complaints and inquiries:

OFFICE OF HOUSING AND URBAN AFFAIRS

Has general oversight on all discrimination complaints and inquiries.

Serves as a referral office for all general complaints and inquiries from the Office of Consumer Affairs in the Department of Health, Education, and Welfare.

OFFICE OF EXAMINATIONS AND SUPERVISION

Responsible for examination and supervision of Federal savings and loan association members.

Responsible for the development of examination techniques and for the enforcement of compliance with the laws under the agency's jurisdiction.

Handles and investigates all general consumer complaints and inquiries received by the Bank Board, including those referred by other federal agencies.

Responsible for the investigation of all discrimination complaints.

SUPERVISORY AGENTS IN REGIONAL FEDERAL HOME LOAN BANKS

May receive general complaints directly from consumers, in which case, the complaints never come to the attention of the Washington Office of Examinations and Supervision.

Handles all correspondence to consumers concerning the factual and resolutional aspects of all the complaints referred to them.

Congressional constituents' complaints and inquiries are received by the Federal Home Loan Bank Board's Congressional Liaison Office. These compaints and inquiries receive priority treatement in comparison to the handling of general complaints received by the Bank Board. The Congressional complaint handling process is expedited by the Office of Examinations and Supervision. Correspondence is sent out promptly to acknowledge receipt of the referral. An additional letter is sent after the completion of the investigation.

The investigational work of all complaints is done by the Supervisory Agents and Examiners in the regional Federal Home Loan Banks under the supervision of the Office of Examinations and Supervision. The primary function of the Supervisory Agents and examiners is to monitor compliance with the laws under the agency's jurisdiction.

The Office of Examinations and Supervision has no staff members whose sole responsibility is to handle consumer complaints, even though this division accounts for an estimated eight hundred of the agency's employees.

Supervisory Agents are employed by the regional Federal Home Loan Banks and are responsible for the initial investigation of all

complaints referred to them. Examiners are assigned to regional bank offices to examine the savings and loan institutions in their regions for financial soundness and compliance with consumer credit protection laws.

The complaint handling process varies depending upon the type of complaint. A step by step explanation of the process used by the Bank Board's Washington office is as follows:

1. When the Office of Examinations and Supervision receives a consumer complaint, an acknowledgement is sent out, and the complaint is directed to the Supervisory Agent in the appropriate regional Federal Home Loan Bank. (Discrimination complaints are sent to the Office of Examinations and Supervision, where the process then begins).

2. The Supervisory Agent sends out a request for factual details concerning the complaint to the savings and loan institution involved, with a five day limit for response. (The complaint may be resolved at this level. If so, the Supervisory Agent corresponds directly with the consumer concerning the factual findings and the resolution of the complaint. Copies of the correspondence are sent to the Office of Examinations and Supervision or Office of Housing and Urban Affairs, whichever originally referred the complaint).

3. If further investigation is required, the Supervisory Agent refers the complaint to an examiner in the regional Federal Home Loan Bank, although this step occurs very seldom—usually in connection with discrimination complaints. Otherwise examiners investigate consumer complaints which have been referred to them at the regular examination of savings and loan institutions which occurs every fourteen months.

4. If however, the violation continues, the following corrective measures can be utilized:

"regulation by persuasion" requires the Supervisory Agent to send a "supervisory letter" to the savings and loan institution, requesting a response within thirty days to correct violations discovered by the examiner or Supervisory Agent.

"cease and desist order" will be recommended to the Bank Board by the Office of Examinations and Supervision if the violation of a law persists.

"involuntary termination" of a savings and loan association's status as an insured institution with the FSLIC is the most severe sanction available to the Bank Board. However, this sanction has never been utilized by the Board.

Only two cease and desist orders relating to consumer complaints have been issued by the Federal Home Loan Bank Board. The first one was issued in May, 1975, and concerned a case of misleading advertising. The second one, issued in December, 1975, involved noncompliance with Regulation Z (Truth in Lending implementation regulations).

According to the Office of Housing and Urban Affairs, the total process of handling a complaint received by this office is three weeks or less. Where a complaint requires urgent attention, the process can be shortened.

The Office of Housing and Urban Affairs and the Office of Examinations and Supervision stated that telephone complaints by consumers are accepted. Initial action on a telephone complaint will be taken by both offices, but consumers are requested to follow up their telephone complaints with a written complaint.

A subcommittee staff member on July 12, registered a telephone complaint with the Federal Home Loan Bank concerning a newspaper advertisement by a member savings and loan association.

The staff member called the general telephone number at the Bank Board and was informed that the savings and loan institution was not under the Board's jurisdiction. The savings and loan was in fact under the Board's jurisdiction, and a second call was made. This call was then

referred to the director of the Office of Examinations and Supervision, where the Subcommittee staff member was then transferred to the appropriate regional director's officer.

At this point, the complaint ws referred to an assistant staff member of the regional director's office. After listening to the complaint, the Board's staff member informed the complainant that the Board knew about the problem and it was being taken care of. Asked what assurance she would receive that some action would be taken, the Bank Board staff member said to assume that the savings and loan institution involved would change the advertisement.

The identical advertisement appeared again on July 23, and another call was made to the Bank Board staff member who had assured the complainant the matter would be handled. He stated that the misleading advertisement was in fact suitable, because the information needed to clarify the advertisement was in smaller print within the advertisement.

This incident illustrates several points. The Bank Board staff member mislead the complainant by stating that the savings and loan institution would change the advertisement. This change did not occur. Secondly, when the Bank Board staff member was called again he then took the position that the advertisement was suitable. The Subcommittee staff analysis of this advertisement is that it was misleading and corrective action should have been taken by the Bank Board.

There are two additional points that should also be noted from the telephone calls to the Bank Board. First, the Bank Board staff member never asked for the complainant's name or how she came to the point of complaining. Secondly, the procedure involved in registering such a complaint is too lengthy and frustrating for any person, whether a Subcommittee staff member or a consumer. There is obvious confusion within the Bank Board as to who handles complaints.

According to the Office of Housing and Urban Affairs, the only consumer complaint statistics that are maintained by the Bank Board are discrimination complaints and Truth in Lending complaints. Thirty discrimination complaints and inquiries were received during 1975, and seven have been received through May, 1976. These figures include only those complaint and inquiries received by the Washington office and not those which may have been submitted directly to Supervisory Agents at the Federal Home Loan Banks. The Office of Housing and Urban Affairs considers the number of regional complaints and inquiries to be insignificant.

In 1975, six Truth in Lending (Regulation Z) complaints were received. No such complaints have been received to date in 1976. These figures do not include complaints received in the field offices, but that figure is also considered to be insignificant by the Office of Housing and Urban Affairs.

The Federal Home Loan Bank Board has no central recordkeeping system of all consumer complaints and inquiries and, thus, a complete numerical breakdown of general consumer complaints is not available. Records of consumer complaints and inquiries are scattered among the Federal Home Loan Banks, Supervisory Agents in the field offices and the Bank Board's Washington office.

The Subcommittee staff feels that the small number of consumer complaints received by the Federal Home Loan Bank Board does not

indicate a general lack of consumer problems, but rather a poor recordkeeping system and a failure to publicize the complaint handling ability of the Federal Home Loan Bank Board.

The results of the consumer survey conducted by the Subcommittee staff indicates that consumers have a poor opinion of the manner in which their complaints were handled by the Federal Home Loan Bank Board. The consumers were also highly dissatisfied with the resolution of their complaints. It should be noted that the consumers included in the survey did not include those consumers who had submitted complaints concerning credit discrimination.

Of those consumers who responded to the question "was the matter resolved by the agency to your satisfaction?" 75% replied "no". Forty-seven percent of those who responded to the question "what is your overall view of the manner in which your complaint or inquiry was handled by the agency?" responded "poor". Only 11% answered "excellent," with 31% responding "good" and 11% responding "fair."

In addition, 63% of the consumers whose complaints were handled by the Federal Home Loan Bank Board stated that the agency *took longer than two weeks* to acknowledge receipt of their complaints.

*Evaluation*

The Office of Examinations and Supervision does not have a central recordkeeping system on general complaints and inquiries which it receives. Without records of complaints received, statistics cannot be compiled, problem areas cannot be detected and evaluation of the complaint handling system cannot be successfully carried out. In addition, no effort is made to gather statistical information on complaints received by the regional Federal Home Loan Banks.

Neither the Office of Housing and Urban Affairs nor the Office of Examinations and Supervision publishes informational literature to inform the public of their offices' ability to handle consumer complaints. The only way consumers might learn of the existence of the Office of Housing and Urban Affairs is through the Equal Housing poster required by the Federal Home Loan Bank Board to be displayed at member institutions and by the Federal Home Loan Bank Board's notice in "Guide to Federal Consumer Services" published by the Department of Health, Education and Welfare's Office of Consumer Affairs. The poster advises those consumers who feel that they have been discriminated against in the granting of credit to send a complaint to the Department of Housing and Urban Development, and to also send a copy of the complaint to the Federal Home Loan Bank Board's Office of Housing and Urban Affairs in Washington. Thus, few savings and loan customers are likely to know that the Federal Home Loan Bank Board possesses a complaint handling capability.

Consumer complaints received by the Federal Home Loan Bank Board do not receive equal treatment in the complaint handling process. Complaints referred by Congress are given priority over consumer complaints sent directly by consumers to the Bank Board. Discrimination complaints are given more attention than general complaints, in that the handling of discrimination complaints is reviewed by the Office of Housing and Urban Affairs, while other complaints are not. Also, no statistical information on non-discrimination complaints is maintained by the Office of Examinations and Supervision.

*Recommendations*

The Subcommittee staff recommends that a consumer affairs division be established within the Federal Home Loan Bank Board to be responsible for the centralized handling of all consumer complaints received by the agency throughout the Nation. Establishment of such a division would have the principal advantage of centering in one particular division the currently-divided responsibility for handling consumer complaints.

In addition, a centralized office would (1) permit each member of the Consumer Affairs Division staff to develop expertise in a particular area of consumer law and in particular types of consumer complaints and (2) permit each staff member handling complaints to concentrate his full attention on complaints (as contrasted with the current situation where a Supervisory Agent or a field examiner—who have other demanding duties as well—bear the principal responsibility for investigating the complaints).

The staff of the consumer affairs division would investigate all those complaints which do not require an on-site investigation by making requests for relevant information and documents and by contacting individuals and savings and loan institutions involved by telephone. The staff should be encouraged to contact the consumer who submitted the complaint clarify the problem or to obtain additional information. Where the consumer complaint involved a set of circumstances (as in potential violations of the Equal Credit Opportunity Act) which cannot be easily resolved by telephone or by requesting written information, a field examiner should conduct an on-site investigation of the complaint. Such an investigation should be actively supervised by the staff of the consumer affairs office.

The consumer affairs office should also be responsible for: Assuring effective enforcement of consumer protection laws; periodically recommending policies to the Board to protect consumers' interests; periodically analyzing the statistical data it has gathered concerning consumer complaints in order to suggest changes which can be made to prevent similar complaints in the future; liaison with other government consumer affairs offices and consumer groups; publicizing its ability to handle consumer complaints; issuing educational materials for consumers on savings and loan matters; and periodically evaluating the overall efficiency of the complaint handling system and implementing changes which would improve its efficiency.

Records of the number and types of complaints received by the Federal Home Loan Bank Board should be maintained by the consumer affairs division and copies of all complaints handled by the office should be sent to field examiners for their information and use during regular examinations of savings and loan institutions. During these examinations the examiner should check a random sample of savings and loan records earlier furnished to the consumer affairs office to make sure that the institution being examined has been supplying accurate information. If there are only a few complaints dealing with the savings and loan institution, each one should be checked.

The Subcommittee staff recommends that a consumer affairs specialist be designated at each regional Federal Home Loan Bank to act as a liaison between the consumer affairs division and the regional

Federal Home Loan Bank. The duties of the person holding this position should include: (1) oversight on the investigation of consumer complaints being handled by field examiners in the region; (2) coordination of consumer complaint correspondence, and (3) responsibility for publicizing consumer affairs division and its complaint handling functions as well as for consumer education within the region.

The Federal Home Bank Board should take affirmative steps to publicize any consumer affairs division which it establishes and its complaint handling ability. Such steps should include, at a minimum: (1) publication and distribution of information pamphlets describing the ability of the consumer affairs division to handle consumer complaints to savings and loan institutions, consumer groups and other interested organizations and persons; (2) a requirement that savings and loan institutions prominently display a poster describing the consumer affairs division's ability to handle consumer complaints and listing the address of the division; and (3) introduction and listing of a nationwide toll-free telephone number for the consumer affairs division in telephone directories throughout the country.

The Subcommittee staff also recommends the introduction of a consumer complaint form to promote efficiency in the consumer complaint handling. A complaint form would be helpful for consumers to use in presenting their complaints and would allow the consumer affairs division to specifically request the types of information that it requires to resolve a complaint.

## X. Addresses and Telephone Numbers of Consumer Affairs Office

Federal Reserve Board, Office of Saver and Consumer Affairs, Martin Building N.W., Washington, D.C. 20551, (202) 452–3946

Federal Deposit Insurance Corporation, Office of Bank Customer Affairs, 1709 New York Avenue N.W., Washington, D.C. 20429, (202) 389–4295

Office of the Comptroller of the Currency, Consumer Affairs Division, 490 L'Enfant Plaza East, S.W., Washington, D.C. 20219, (202) 447–1600

Federal Home Loan Bank Board, Office of Housing and Urban Affairs, 320 First Street, N.W., Washington, D.C. 20552, (202) 376–3262

National Credit Union Administration, Consumer Affairs Division, 2025 M Street, N.W., Washington, D.C. 20456, (202) 254–8760