Helping consumers understand credit discrimination

Consumers you work with may not know about credit discrimination or whether they've been a victim of it. By sharing information about what can and can't be done under the Equal Credit Opportunity Act (ECOA), you can help consumers better understand their rights.

Equal Credit Opportunity Act (ECOA)

The ECOA is a federal law that prohibits lenders from discriminating against anyone based on protected status. When consumers apply for credit or borrow money, they are protected from discrimination based on any of the following reasons:

- Race
- Color
- Religion
- National origin
- Sex (including gender)*
- Marital status
- Age
- Receiving money from public assistance

*Currently, the law supports arguments that the prohibition against sex discrimination also affords broad protection from discrimination based on a consumer's gender identity and sexual orientation.

Lenders are allowed to ask consumers for this type of information in some situations, but lenders can't discourage consumers from applying for credit. And, they can't reject credit applications for any of the reasons on the list. Lenders are not allowed to charge higher costs, like a higher interest rate or higher fees, for these reasons either.

The ECOA applies to all forms of credit including:

- Car loans
- Home loan
- Credit cards
- Student loans
- Small business loans

The law also protects consumers from discrimination and retaliation when they are exercising their rights under certain consumer protection laws. For example, lenders cannot decline to offer credit or charge higher interest because a consumer filed a complaint about an error on a credit card bill. Consumer protection laws include the ECOA itself, as well as:

- Truth in Lending Act (TILA), which requires lenders to use uniform disclosures and protects against unfair or inaccurate credit billing and credit card practices.
- Fair Credit Reporting Act (FCRA), which protects the integrity, accuracy, and privacy of credit information.
- Fair Debt Collection Practices Act (FDCPA), which prohibits debt collectors from using abusive, unfair, or deceptive practices to collect money.

- Electronic Fund Transfer Act (EFTA), which protects consumers when managing their money electronically.

Within limits, lenders are permitted to consider factors such as income, debt, and credit history when they decide whether to offer credit to a consumer and the specific terms of the credit.

What lenders can't do under the law

Reject a credit application based on a consumer's membership in a protected group

For instance, a lender can't reject a credit application because a consumer comes from a particular country. Immigration status, however, is a factor that a lender is sometimes permitted to consider when determining whether or not to approve the consumer for credit.

Change the credit terms or conditions based on a consumer's membership in a protected group

This includes offering a higher interest rate or excessive fees because of a consumer's particular race or national origin.

Ask if the consumer gets alimony, child support, or separate maintenance payments

If the lender does ask this, the lender must first tell the consumer that an answer is required only if the consumer is relying on the payments to qualify for the credit. A lender is permitted to ask, however, if a consumer has to pay alimony, child support, or separate maintenance income as part of the qualification process.

Ask if the consumer is widowed or divorced

Sometimes a lender is permitted to ask if the consumer is married, unmarried, or separated. "Unmarried" includes single, divorced, and widowed.

Ask for information about a consumer's spouse, like the spouse's income

Asking about a spouse is allowed, however, when:

- The spouse is applying for joint credit.
- The spouse is allowed to use the account or is legally liable on the account.
- The consumer is relying on the spouse's income, or on alimony, child support, or other payments from a former or current spouse to get approved for the credit.
- The consumer lives in a state with community property laws or is using property in a state with those laws to get approved for that credit.

Treat a consumer differently based on age

This is allowed, however, when:

- The consumer is too young to enter into a contract.
- The consumer is at least 62 years old, and the lender offers better terms to or otherwise favors older consumers.
- The lender uses it as a circumstance that indicates whether the consumer is creditworthy—for example, in considering whether the consumer's income will drop because of an upcoming retirement.

Refuse to consider reliable public assistance income the same way as other income

For instance, a lender can't exclude or refuse to consider vouchers from the Section 8 Housing Choice Voucher Homeownership Program as a source of income, or accept them for only certain mortgage loans.

Treat consumers less favorably because of sex

Currently, the law supports arguments that the prohibition against sex discrimination also affords broad protection from discrimination based on gender identity and sexual orientation. Let the CFPB know if, for example, lenders require married same-sex couples who apply for credit to provide different documentation of their marriage than married opposite-sex couples or if lenders impose obstacles on transgender consumers submitting applications that provide a sex consistent with their gender identity.

Warning signs of discrimination

Credit discrimination often happens behind closed doors, which makes it hard to spot. But there may be warning signs. Pay attention to whether you are:

- Treated differently in person than on the phone.
- Discouraged from applying for credit.
- Witness to the lender making negative comments about race, national origin, sex, or other protected statuses.
- Refused credit even though they qualify for it based on advertised requirements.
- Offered credit with a higher rate than the one on the application even though they qualify for a lower rate based on advertised requirements.

How consumers can protect themselves from discrimination

Do their research

Help them shop around, learn about the benefits and risks of the financial products they want, and research current interest rates. Compare products from several lenders. Consumers can more easily spot if someone is trying to take advantage of them if they have facts on hand.

Know their credit history

Some lenders make decisions based on a consumer's credit history. Be sure there are no mistakes or missing items in credit reports. Consumers should request a free copy of their credit reports every 12 months from AnnualCreditReport.com, which includes reports from each of the three biggest consumer reporting companies.

Stay in control

The lender shouldn't make them feel rushed or unnecessarily delay action on the application.

Be sure before signing

Consumers shouldn't ever feel pressured to sign. They should take the time to make sure the credit product and terms work for them.

Ask questions

Help consumers to look beyond the monthly payment. Be sure they understand the rates and the total amount of interest and fees paid over the long run.

Take action

Consumers should seek legal help if they believe they have been discriminated against.

- For legal resources listed state by state, visit: lawhelp.org
- To find out about eligibility for assistance from a Legal Services program funded by the Legal Services Corporation, visit: lsc.gov/what-legal-aid/find-legal-aid
- Locate your state attorney general's office: naag.org/naag/attorneys-general/whos-my-ag.php
- Submit a complaint with the CFPB: consumerfinance.gov/complaint

About the CFPB

The Consumer Financial Protection Bureau is an independent federal agency built to protect consumers. We write and enforce rules that keep banks and other financial companies operating fairly. We also educate and empower consumers, helping them make more informed choices to achieve their financial goals.

Learn more at consumerfinance.gov

Submit a complaint

Online
consumerfinance.gov/complaint

By phone
(855) 411-CFPB (2372)
(855) 729-CFPB (2372) TTY/TDD

By fax
(855) 237-2392

By mail
Consumer Financial Protection Bureau
P.O. Box 4503
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