Helping consumers spot credit discrimination

You may have heard about credit discrimination, but it can be hard to spot when it happens. You can help people protect their rights by sharing information about what lenders can and can't do under the Equal Credit Opportunity Act.

Equal Credit Opportunity Act (ECOA)

From the time a person applies for credit or a loan to when the account is closed, the person is protected from discrimination. ECOA prohibits lenders from discriminating against people based on the characteristics listed below, which are considered "protected":

- Race
- Color
- Religion
- National origin
- Sex (including sexual orientation and gender identity)
- Marital status
- Age
- Receiving money from public assistance

Lenders are allowed to ask consumers for this type of information in some situations, but lenders can't steer people away from applying for credit based on a protected characteristic (for example, based on sex or religion). They can't deny credit based on those characteristics. And they are not allowed to charge higher costs, like a higher interest rate or higher fees, based on a protected characteristic either.

Even if lenders don't discriminate based on the protected characteristics of the person applying for credit, they also cannot discriminate against the person based on protected characteristics of other people they are connected to. For example, if a person applies for a loan at a bank and brings along a friend, the lender is prohibited from discriminating against the borrower based on the characteristics of the friend.

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.

The ECOA applies to loans and credit including:

- Car loans
- Credit cards
- Home loans
- Student loans
- Business loans
- Personal loans

The law also protects consumers from discriminating and retaliating against people who stood up for 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

What lenders can't do under the law

Reject a credit application based on a consumer's protected characteristic

For instance, a lender can't reject a credit application because a consumer comes from a particular country. A lender is sometimes permitted to consider immigration status, however, if the lender believes it could affect repayment of the loan.

Change the credit terms or conditions based on a consumer's protected characteristic

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

Ask if the consumer receives 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 age to determine whether the consumer is creditworthy—for example, in considering whether the consumer's income will drop because of an upcoming retirement

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

For instance, a lender can't 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, sexual orientation, or gender

A lender cannot discriminate against you based on your sex. This includes sexual orientation, gender identity, and conformity with sex-based or gender-based stereotypes. For example, lenders can't require married same-sex couples to provide different documentation of their marriage than married opposite-sex couples, or discriminate against transgender consumers who express their gender identity in the application process.

Warning signs of discrimination

People can more easily spot credit discrimination if they are prepared and aware of warning signs. Credit discrimination doesn't only happen in a face-to-face situation, which means it can be hard to spot. Pay attention to whether the consumer is:

- Treated differently in person than on the phone or online
- Discouraged from applying for credit
- Hearing the lender make negative comments about race, national origin, sex (including sexual orientation and gender identity), or other protected characteristics
- Refused credit even though they qualify for it based on advertised requirements
- Offered credit with a higher rate than they applied for, even though they qualify for a lower rate based on advertised requirements

Ways people can prepare before taking out a loan

In situations where people are struggling financially, disaster relief and other government programs can help people avoid taking out high-cost loans or falling victim to a scam.

Do the research

You can help people shop around, learn about the benefits and risks of the financial products they want, research current interest rates, and compare products and offers from several lenders.

Know their credit history

Be sure there are no mistakes or missing items in credit reports. Consumers have the right to request one free copy of their credit reports each year, from each of the three biggest consumer credit reporting companies, by visiting AnnualCreditReport.com. When they visit the site, they may see steps to view more frequently updated reports online. This gives people a greater ability to monitor changes in their credit.

If needed, consumers can ask whether their credit report is available in their preferred language.

Ask questions about total costs

Help people look beyond the monthly payment. Be sure they understand the rates and the total amount of interest and fees paid over the long run. Encourage them to ask which fees and charges may be negotiable.

Stay in control

Lenders shouldn't make people feel rushed or unnecessarily delay action on the application. Consumers have the right to receive information in writing—including, in most cases, timely information on the action a lender takes on an application for credit.

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. If needed, people can ask lenders whether help is available in their preferred language.

Steps for resolving a dispute

Problems with financial products and services sometimes happen, and often they can be fixed if the consumer works directly with the company. Even if they later submit a complaint to the CFPB or hire a lawyer, it can help if the consumer takes the first steps.

Most companies can be reached by telephone, e-mail, online chat, mail, or social media. Tips that can help:

- Never post personal data on social media or review sites
- Avoid angry, sarcastic, or threatening language
- Keep notes of who responded to the consumer, when, and what they said

Before the consumer contacts the company, they should be prepared and have information on hand:

- Name, address, phone number, and account number or transaction number
- What happened—as clear and to-the-point as possible
- How the consumer wants to fix the problem
- Documents or screen shots that show what happened

Getting legal help for people who 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: **https://www.naag.org/find-my-ag/**

Submit a complaint

Have an issue with a financial product or service? We'll forward your complaint to the company and work to get you a response–generally within 15 days.

Learn more at consumerfinance.gov

Contact us

Online
consumerfinance.gov

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

By mail
Consumer Financial Protection Bureau
P.O. Box 2900
Clinton, IA 52733-2900

Submit a complaint
consumerfinance.gov/complaint