



CONSUMER LENDING BOOTCAMP: MASTERING REGULATION B APPLICATIONS AND ADVERSE ACTION REQUIREMENTS

Bankers' Compliance Group® Presentation
Sponsored by Aldrich & Bonnefin, PLC

SEPTEMBER 29, 2026

SPEAKERS: Harry S. Khalsa, Senior Attorney
Joel N. Cook, Principal Attorney
and CEO
Aldrich & Bonnefin, PLC*

AGENDA

- I. OBJECTIVES
- II. ECOA/REG B BASICS
- III. TAKING APPLICATIONS AND QUESTIONS YOU CAN (AND CANNOT) ASK

QUESTION & ANSWER SESSION #1

- IV. NOTIFICATION OF THE CREDIT DECISION (ADVERSE ACTION)

QUESTION & ANSWER SESSION #2

DISCLAIMER

This presentation is intended solely for educational purposes to provide you general information about laws and regulations and not to provide legal advice. There is no attorney-client relationship intended or formed between you and the presenters or you and the authors of these materials. Consult your institution's legal counsel for advice about how this information impacts your institution.

CONSUMER LENDING BOOTCAMP: MASTERING REGULATION B APPLICATIONS AND ADVERSE ACTION REQUIREMENTS

OUTLINE

I. OBJECTIVES

- A. Understand when Regulation B applies and what is a prohibited basis of discrimination.
- B. Understand what is an application under Regulation B, and what information may be requested from an applicant.
- C. Understand what is adverse action under Regulation B, when an Adverse Action Notification must be sent, and what are the contents of an Adverse Action Notification.

II. ECOA/REG B BASICS

- A. Background.
 - 1. In 1974, Congress passed the Equal Credit Opportunity Act (“ECOA”) to prohibit creditors from discriminating in any aspect of a credit transaction on the basis of sex or marital status. 15 USC 1691 *et seq.* This is because ECOA was initially intended to protect women, whether married or unmarried, and to ensure they had equal access to credit.
 - 2. In 1976, Congress amended the statute to ban discrimination also on the basis of race, color, religion, national origin, age, receipt of public assistance income and a consumer’s good faith exercise of rights under the Consumer Credit Protection Act.

3. ECOA was enacted to ensure that creditors, including depository institutions, in extending credit did so with “fairness, impartiality, and without discrimination.”

B. Coverage.

1. Regulation B (12 CFR Part 1002) implements the Equal Credit Opportunity Act (ECOA).
2. The Consumer Finance Protection Bureau (CFPB) has rulemaking authority over Regulation B.
3. Reg B applies to all types of applicants and all types of credit.
4. According to the regulation’s text, Reg B applies to the entire credit process, from start to finish. From advertising and marketing to the application process, to underwriting and documenting a loan, to servicing the loan, and collecting on the loan.

C. General Rule. A creditor may not discriminate against an applicant on a prohibited basis in any aspect of a credit transaction.

1. Here are the prohibited bases under Reg B: race, color, national origin, religion, sex, marital status, age, that all or a part of the applicant’s income derives from any public assistance program, or that the applicant has in good faith exercised any right under the Consumer Credit Protection Act (for example, TILA, FCRA, ECOA, etc.).
2. Rule against discouraging applications. Creditors may not make any statement in advertising or otherwise to prospective applicants that would discourage on a prohibited basis a reasonable person from pursuing an application.

III. TAKING APPLICATIONS AND QUESTIONS YOU CAN (AND CANNOT) ASK

A. Applications Under Regulation B.

1. An “application” under Regulation B is an oral or written request for an extension of credit that is made in accordance with procedures used by the creditor for the type of credit requested.
 - a. The creditor has latitude to establish its own application process and to decide the type and amount of information it will require from credit applicants.
 - b. Creditors typically treat an application form that is filled out, signed and submitted to the creditor for consideration as the “application” for Reg B purposes.
 - c. Business or personal financial statements are “applications” if it is your actual practice to treat them as requests for credit. Many small business lenders use personal financial statements as a type of application for credit.
 - d. On the other hand, some business lenders have adopted a formal written policy to not consider an application to be received until the business applicant has sent back a signed letter of intent (originally sent by the lender) with a deposit. If followed carefully, this policy can help clarify that casual inquiries from brokers are not “applications.”
 - e. Actual practices.
 - (1) The term “procedures” refers to the actual practices a creditor follows for making credit decisions as well as its stated application procedures.

- (2) **Example:** Creditor's stated policy is to require all applications to be in writing on the creditor's application form. However, the creditor also makes credit decisions based on oral requests. On these facts, are the creditor's "procedures" to accept:

- ☐ Written applications (on its own application form), or
- ☐ Oral applications, or
- ☐ Both of the above

2. An "inquiry" means to respond to a customer by providing general information. Whether an inquiry becomes an "application" depends on how the loan officer or customer service representative responds, not on what the applicant says or asks.
- a. Providing basic loan terms (such as interest rates, loan-to-value information or debt-to-income ratios) in response to a customer who asks for a loan is an "inquiry."
- b. In contrast, where a loan officer tells the inquirer that he or she does not qualify for the credit, the financial institution has taken an application and has denied it. This means that the financial institution has taken adverse action on the application, and the financial institution is required to follow-up by sending a written notice of adverse action to the consumer.

Exercise #1

Homer walks into Springfield ACE Bank and asks the bank's loan officer, Flanders, questions about the bank's mortgage loans. The bank needs help figuring out whether Flanders' responses to Homer's questions turned Homer's inquiry into an "application" for purposes of Regulation B.

		Inquiry	Application
1.	Flanders told Homer about the maximum LTV and DTI ratios for the bank's mortgage loans.		
2.	In order to tell Homer the applicable APR, Flanders asks for information about the home Homer is looking to buy (property address, sale price, etc.). Thereafter, Flanders tells Homer the rate will be 4.00%.		

3.	Homer tells Flanders he filed for bankruptcy last year after having a notably disappointing season. In response, Flanders tells Homer that he won't qualify for the mortgage loan so he shouldn't bother applying.		
4.	Same as #3, but Flanders says, "While we normally view bankruptcies negatively, we encourage you to apply so we can evaluate your entire financial picture."		

c. Some practical steps to assure that inquiries never inadvertently turn into adverse action:

(1) Conclude every inquiry with an invitation for the consumer to apply. If the consumer requests an application (or applies on the spot) or declines the opportunity to apply, adverse action has not occurred; and

(2) Keep detailed telephone logs that document that every inquiry led either to (i) taking the caller's application by phone, (ii) mailing out an application form, or (iii) the consumer affirmatively indicating no interest.

B. What Questions Can You Ask an Applicant? As a general rule, Regulation B allows a creditor to ask for any information in connection with a credit application.

1. Exception – A creditor is not permitted to request or collect information regarding any of the specific prohibited bases listed above (race, color, national origin, religion, sex, marital status, age, etc.).

However, there are some specific rules allowing creditors to request some of this information provided certain conditions are met.

2. These are the types of information a creditor may request.
 - a. Spouse. If the applicant resides in a community property state, a creditor may request information about an applicant's spouse if:
 - (1) The applicant resides in a community property state (such as California);
 - (2) The property on which the applicant is relying as a basis for repayment of the credit requested is located in a community property state;
 - (3) The applicant is relying upon alimony, child support or separate maintenance payments from a spouse or former spouse as a basis for repayment of the credit requested;
 - (4) The spouse will be permitted to use the account; or
 - (5) The spouse will be contractually liable on the account.
 - b. Marital status.
 - (1) In community property states, creditors may inquire about an applicant's marital status. There are nine community property states in total: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin.
 - (2) In non-community property states, a creditor may ask for the applicant's marital status only if the applicant has applied for secured credit or if the application is subject to HMDA and Regulation C data collection and reporting.

- (3) A creditor may ask about marital status by using only the terms “married,” “unmarried” and “separated.” The creditor may further define “unmarried” as single, divorced or widowed, but may not ask the applicant to specify whether he or she is single, divorced or widowed.

- c. Information regarding alimony, child support or separate maintenance income. You may ask, but only if you first disclose:

Alimony, child support and separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

- d. Sex. You can ask the applicant to indicate a title (Ms., Miss, Mr. or Mrs.) but you have to indicate on the application that titles are optional.

- e. Age. Even though age is a prohibited basis under Regulation B, creditors may still ask for the applicant’s age in order to determine whether the applicant can enter into a binding contract (18 in most states, including California).

- f. Information concerning children. You can ask about dependents or dependent related expenses, but not about the applicant’s pregnancy status or childbearing intentions.

- g. Permanent residency status and immigration status. A creditor may ask for this information according to Regulation B, but be careful of the Cal. Unruh Act.

- h. Information regarding an applicant's race, ethnicity and sex when Regulation B or HMDA/Regulation C requires the collection of such information or when the creditor is conducting a self-test for which the self-testing privilege applies according to Reg B Section 1002.15.

QUESTION & ANSWER SESSION #1

IV. NOTIFICATION OF THE CREDIT DECISION (ADVERSE ACTION)

A. General Rules

1. Rule #1. When a creditor receives a "completed application" for credit, Reg B requires the creditor to notify the applicant of the credit decision.
2. Rule #2. In short, if a creditor denies a completed application, it must send an adverse action notice (AAN).
3. Step-by-Step. There are some steps before and after receiving a completed application.
 - a. Step One: The inquiry phase.
 - b. Step Two: Have you received an "application"?
 - c. Step Three: If it's an incomplete application, make it complete.
 - d. Step Four: Now that the application is complete, make a decision!

B. Step One – Inquiry Phase.

1. General Rule. A credit inquiry or prequalification request can trigger an AAN.
 - a. It depends on how the creditor responds to the inquiry or request.
 - (1) A creditor responds with basic loan information (interest rates, LTV or DTI ratios, etc.) → no AAN required.
 - (2) If a creditor only responds with, “here’s an application” → no AAN required.
 - b. However, the creditor must provide an AAN if it:
 - (1) Evaluates the consumer’s information;
 - (2) Decides to decline the request; and
 - (3) Communicates the decline to the customer. Comment 9-5;
 - (4) This is the case even if you never receive an application; and
 - (5) We will refer to this as the “Inquiry Rule.”

C. Step Two – Have You Received an “Application”?

1. Basic Rule. Apart from the Inquiry Rule, a creditor’s receipt of an “application” starts Reg B’s notice time frames.
2. Refer to Paragraph III.A.1. above for a discussion of what is an application.

D. Step Three – If it's an incomplete application, make it complete

1. Completed Application Defined.

- a. A completed application means an application in connection with which a creditor has received all the information that the creditor regularly obtains and considers in evaluating applications for the amount and type of credit requested.
- b. When a creditor receives an inquiry that meets its definition of an "application," but it is not yet a "completed" application, its notice obligations depend on whether it has enough information to make a credit decision.

2. Incomplete, But Enough Data to Make a Credit Decision.

- a. When an application is incomplete but provides sufficient data for a credit decision, the creditor may evaluate the application and notify the applicant of action taken as appropriate.
- b. This is the case whether the missing information is information the applicant is to provide or information the creditor is to obtain.
- c. If credit is denied, follow the adverse action rules we'll discuss in a moment.

3. Not Enough Data to Make a Credit Decision.

- a. When an application is incomplete and the creditor lacks sufficient data for a credit decision, the creditor's obligations depend on whether the missing information is information the creditor is to obtain (refer to Paragraph b. below) or information the applicant is to provide (refer to Paragraph c. below).
 - (1) For example, appraisal reports, credit reports, and the like are items that the creditor must obtain.

- (2) On the other hand, copies of tax returns, pay stubs, etc., are things only the applicant can supply.

b. Incomplete because of information the creditor is to obtain.

- (1) Although the creditor has latitude to establish its own information requirements to be considered a completed application, the creditor must act with reasonable diligence to collect information needed to complete the application.
- (2) For example, the creditor should request information from third parties, such as a credit report, promptly after receiving an application. Comment 9(a)(1)-3.
- (3) There may be occasions when an application is “pending.”
 - (a) For example, the lender may be waiting for information from third parties (appraisal report, title report, flood verification).
 - (b) In periods of tremendous refinancing activity, for instance, it may take six to eight weeks to receive an appraisal report.
 - (c) It just means that the application is “pending” (this is not a technical Reg B term).
 - (d) It is recommended that the lender keep the applicant informed of the application’s status (with appropriate notations made in the comment log), but the lender is not required to turn down the credit request as long as the lender expects that the information will be forthcoming.

- c. Incomplete because of information the applicant is to provide.
 - (1) When an application is incomplete regarding information that the applicant can provide, the creditor may:
 - (a) Orally inform the applicant of the need for additional information; or
 - (b) But if the application remains incomplete, the creditor must do one of the following within 30 days of receiving the incomplete application.
 - (2) Option #1 – deny incomplete application and send written AAN.
 - (a) Timing – make the decision within 30 days of receiving the incomplete application; provide AAN within 30 days of making that decision.
 - (b) Because the creditor is denying the application due to incompleteness, that would be the reason it states for the denial in the AAN.
 - (3) Option #2 – send the applicant a notice of incompleteness (NOI).
 - (a) Timing – within 30 days of receiving the incomplete application.

(b) Here is sample form C-6 from Appendix C to Reg B:

Creditor's Name
Creditor's Address
Telephone Number

Date

Dear Applicant:

Thank you for your application for credit. The following information is needed to make a decision on your application: _____.

We need to receive this information by _____ (date). If we do not receive it by that date, we will regrettably be unable to give further consideration to your credit request.

Sincerely,

(c) The creditor has no further obligation under the adverse action rules if the applicant fails to respond by the designated deadline.

(d) Do not revise the NOI to say, "If we do not receive [that information] by that date, we will consider your application withdrawn."

(i) In order for an application to be considered withdrawn, the applicant must expressly withdraw the application.

(ii) If the applicant expressly withdraws the application, then the end result is the same as the applicant failing to respond to a NOI – the creditor does not have any further obligations under the adverse action notice rules. But of course the creditor must document the fact that the applicant withdrew the application.

(iii) But examiners expect creditors and their staff to know the difference between a withdrawn application and an application that is closed for incompleteness.

(e) If the applicant supplies the requested information within the designated time period (that is, the application is now complete), the creditor must follow the completed application rules discussed below.

Exercise #2

For their unsecured consumer credit product, Springfield ACE Bank requires an application form and a copy of the consumer's most recent paystub. Today, Bart submits an incomplete application to the lender. Also today, the lender calls Bart and informs him that his application is incomplete and tells him what information the lender needs to make the application complete (his paystub). Three weeks have passed and Bart has yet to send the lender the paystub.

1. What must the lender do within 30 days of today (the day the lender received the incomplete application)?

- ☐ Send a notice of incompleteness
- ☐ Deny the loan
- ☐ Either of the above

2. If the lender denies the incomplete application, it must mail the AAN to Bart within ____ days from deciding to deny the incomplete application.

E. Step Four – Now that the application is complete, make a decision!

1. General Rule. The creditor must notify an applicant of the creditor's approval of, counteroffer to, or adverse action within 30 days of receiving a completed application.

2. Approval. Creditors may communicate approvals orally or in writing, but be sure to document any oral notifications.
3. Counteroffers.
 - a. Example: A consumer has applied for credit on particular terms, such as a certain interest rate, but is offered credit on less favorable terms (for example, a higher rate).
 - (1) The offer of credit at a higher rate than requested may, if based on the contents of a consumer report (including a credit score), also triggers the duty to provide a risk-based pricing notice.
 - (2) Later, we will see that adverse action includes a refusal to grant credit in substantially the amount or on substantially the terms requested, unless the lender makes a counteroffer and the borrower expressly accepts or uses the credit offered.
 - (3) The creditor has two options for making the counteroffer.
 - b. Option #1: Send only a counteroffer.
 - (1) The creditor must send an AAN within 90 days after notifying the applicant of the counteroffer if the applicant does not expressly accept or use the credit offered.
 - (2) Thus if the stand-alone counteroffer is not accepted, the creditor has up to 90 days from making the counteroffer to send a written AAN.

- (3) This option comes with additional work, so consider Option #2.

c. Option #2: Send a combined counteroffer/AAN.

- (1) Here is an excerpt from sample Form C-4 from Appendix C to Reg B:

Date _____

Dear Applicant:

Thank you for your application for _____.
We are unable to offer you credit on the terms that you requested for the following reason(s): _____.

We can, however, offer you credit on the following terms: _____

If this offer is acceptable to you, please notify us within [amount of time] at the following address: _____

- (2) The sample form goes on to include the ECOA notice and the FCRA AAN components, as discussed below.

- (3) Here's why this is the more popular of the two counteroffer options.

- (a) The creditor does not have to follow for the consumer's acceptance of the counteroffer and then send an AAN if the applicant does not accept the counteroffer.

- (b) In other words, by giving the combined notice, the creditor is not required to take any further action if the applicant does not accept the creditor's counteroffer within the specified time period.

- d. In contrast, if the consumer just applies for credit on general terms (for example, applying for a credit card without specifying an interest rate), any offer of a credit card would be consistent with the consumer's request, so no adverse action occurs.
- e. Thus, as a practical matter, one way a creditor can limit the number of times it must send AANs is by not including blanks in applications for consumers to specify the interest rate or credit limit they want.

4. Adverse Action.

- a. Adverse action includes the following:
 - (1) A refusal to grant credit in substantially the amount or on substantially the terms requested, unless the lender makes a counteroffer and the borrower expressly accepts or uses the credit offered.

Exercise #3

- 1. Marge applies for a \$50,000 line of credit and the creditor refuses to offer the line of credit because Marge does not qualify. The creditor ☐ has OR ☐ has not taken adverse action.
- 2. Change of facts. The creditor makes Marge a counteroffer for a \$25,000 line of credit. The creditor tells Marge she has 45 days to accept the counteroffer.
 - a. The creditor sends a standalone counteroffer.
 - (1) If Marge accepts the counteroffer within 45 days, the creditor ☐ has to OR ☐ does not have to send an AAN.
 - (2) If Marge does not accept the counteroffer within 45 days, the creditor ☐ has to OR ☐ does not have to send an AAN (in this case, by the 90th day from making the counteroffer).

- b. The creditor sends a combined counteroffer/AAN.
- (1) If Marge accepts the counteroffer within 45 days,
the creditor ☐ has to OR ☐ does not have to send an AAN.
 - (2) If Marge does not accept the counteroffer within 45 days,
the creditor ☐ has to OR ☐ does not have to send an AAN.
 - (3) In other words, the creditor ☐ does OR ☐ does not have to take any further
action if Marge does not accept the counteroffer.

- b. Adverse action includes a refusal to increase the credit limit on a
borrower's revolving credit line, when the borrower has applied for an
increase.
- c. Adverse action includes the termination of an account or an
unfavorable change in the terms of an account that does not affect all
or substantially all of a class of the creditor's accounts.
- (1) "Substantially all" means that a creditor's action must affect
the overwhelming majority of accounts in a designated class.
 - (2) Thus adverse action does not occur if the creditor's action is
not based on an affected account holder's individual credit
characteristics.
 - (a) For example, adverse action does not occur where a
creditor terminates all credit card accounts because it
no longer offers a credit card product.

- (b) In contrast, if a creditor terminates open-end credit accounts that have low credit limits (for example, those under \$400) but keeps open accounts with higher credit limits, the termination is adverse action and the creditor must send an AAN to the account holders.
- d. Adverse action includes a refusal to refinance or extend the term of an existing business or other loan if the applicant applied for it in accordance with the creditor's procedures.
- e. What is not adverse action.
 - (1) A change in account terms the applicant expressly agrees to. This would include any sort of mutually agreed-to loan modification.
 - (2) Any action or forbearance relating to an account taken in connection with inactivity, default or delinquency as to that account. This would cover any sort of account freeze based on delinquency as to the subject account, or a forbearance entered into after default.
 - (3) A refusal to extend credit because the creditor does not offer the type of credit or credit plan requested.
 - (a) **Example:** Your institution does not offer credit cards and you receive a request for a credit card.
 - (b) However, when an applicant applies for credit and the creditor does not offer the credit terms the applicant requested (for example, the interest rate, length of maturity, collateral or amount of down payment), a denial of the application for that reason is adverse action (unless the creditor makes a counteroffer that the applicant accepts) and the applicant is entitled to an AAN. Comment 2(c)(2)(v)-1.

- (4) A refusal to extend credit because applicable law prohibits the creditor from extending the credit requested.

Example: The applicant is listed on the Treasury's Specially Designated Nationals and Blocked Persons List and therefore the creditor must deny the applicant's credit request.

f. Content of Reg B AANs for Consumer Loans.

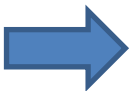
- (1) For copies of the sample notification forms, refer to Appendix C of Regulation B.

- (2) Description of adverse action taken.

- (a) The notice must contain a written statement of the action taken by the creditor.

- (b) For example, the notice may state, "credit has been denied," or "your application has been denied."

- (c) Here is where you do so in the sample form:



Date: _____
Applicant's Name: _____
Applicant's Address: _____
Description of Account, Transaction, or Requested Credit: _____
Description of Action Taken: _____

(3) Reg B requires the creditor to disclose the specific principal reasons for taking adverse action.

(a) The model forms that list various principal reasons the FRB originally designed to disclose those credit factors creditors most commonly consider:

<i>Part I</i> —PRINCIPAL REASON(S) FOR CREDIT DENIAL, TERMINATION, OR OTHER ACTION TAKEN CONCERNING CREDIT. This section must be completed in all instances:	
Credit application incomplete	Unable to verify credit references
Unacceptable type of credit references provided	Unable to verify employment
Temporary or irregular employment	Income insufficient for amount of credit requested
Length of employment	Unable to verify income
Excessive obligations in relation to income	Temporary residence
Length of residence	No credit file
Unable to verify residence	Poor credit performance with us
Limited credit experience	Collection action or judgment
Delinquent past or present credit obligations with others	Garnishment or attachment
Bankruptcy	Foreclosure or repossession
Number of recent inquiries on credit bureau report	Value or type of collateral not sufficient
Insufficient number of credit references provided	Other, specify

(b) Creditors may add to the list or delete inapplicable references.

(c) The regulation does not mandate that a specific number of reasons be disclosed, but disclosure of more than four reasons is not likely to be helpful to the applicant, according to Comment 9(b)(2)-1.

(d) The disclosed specific reasons for adverse action must relate to and accurately describe the factors actually considered or scored by a creditor. Comment 9(b)(2)-2.

- (4) As an alternative to giving the reasons automatically, the creditor may notify the applicant that he or she has the right to receive a statement of the reasons for the credit denial upon request.

Dear Applicant:

Thank you for applying to us for _____

After carefully reviewing your application, we are sorry to advise you that we cannot [open an account for you/grant a loan to you/increase your credit limit] at this time.

If you would like a statement of specific reasons why your application was denied, please contact [our credit service manager] shown below within 60 days of the date of this letter. We will provide you with the statement of reasons within 30 days after receiving your request.

Creditor's name: _____

Address: _____

Telephone number: _____

- (5) No matter whether the creditor lists the reasons for credit denial or not, creditors must include the ECOA notice:

NOTICE: The federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is (name and address as specified by the appropriate agency listed in Appendix A of Reg B).

F. "Small" Business Applicants.

1. A "small business" loan applicant is a business having \$1 million or less in gross revenues in its preceding fiscal year.
 - a. This includes a start-up company in its first year of operation, such as a single-purpose entity, regardless of the size or revenues of its principals.

- b. The creditor may rely on an applicant's assertions regarding the business's revenue size in determining which business credit rules to apply to the applicant.
- c. Sole proprietor applications: the creditor is to consider the revenues of the sole proprietorship in determining which rules govern the application.

2. With small business applicants, the creditor has the following options.

- a. Treat the small business like a consumer (for example, send a written AAN within 30 days of receiving a completed application).
- b. Alternatively, the AAN may just inform the business applicant of their right to a statement of reasons by providing an "upfront" notice at the time of application.
 - (1) By following this approach the creditor may notify the applicant of its credit decision (whether positive or negative) either orally or in writing within the normal 30-day time frame.

(2) Here's what the upfront notice looks like:

CFPB Sample Notification Form C-8

**SAMPLE DISCLOSURE OF RIGHT TO REQUEST SPECIFIC REASONS
FOR CREDIT DENIAL GIVEN AT TIME OF APPLICATION
(Business Credit)**

Creditor's Name
Creditor's Address

If your application for business credit is denied, you have the right to a written statement of the specific reasons for the denial. To obtain the statement, please contact [name, address and telephone number of the person or office from which the statement of reasons can be obtained] within 60 days from the date you are notified of our decision. We will send you a written statement of reasons for the denial within 30 days of receiving your request for the statement.

NOTICE: The federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is [name and address as specified by the appropriate agency listed in Appendix A of Reg B].

3. Large business credit and factoring.

a. Large business credit applicants rules apply to:

- (1) Applications for credit incident to factoring arrangements and similar types of business credit; and
- (2) Credit applications from businesses with gross revenues exceeding \$1 million in the preceding fiscal year.

b. Options.

- (1) Option #1 – Treat large businesses like small businesses (the “upfront” notice approach) or consumers.

- (2) Option #2 – Treat them like a large business.
 - (a) Notify a large business credit applicant of a credit denial, orally or in writing, within a reasonable time (which presumably could exceed 30 days). Be sure to document oral notifications.
 - (b) The large business applicant has up to 60 days after notification of the adverse action to make a written request a written statement of reasons for the denial.
 - (i) This is same for consumer applicants.
 - (ii) Key difference – creditors do not have to disclose this right to large business applicants.

QUESTION & ANSWER SESSION #2

We're adjourned! Thank you for attending.

Speakers' Contact Information:

Harry S. Khalsa
Senior Attorney
Aldrich & Bonnefin, PLC
1920 Main Street, Suite 800
Irvine, California 92614
Bus: 800-742-3600
Tel: 949-474-1944, ext. 3215
Email: HKhalsa@ABLawyers.com

Joel N. Cook
Principal Attorney and CEO
Aldrich & Bonnefin, PLC
1920 Main Street, Suite 800
Irvine, California 92614
Bus: 800-742-3600
Tel: 949-474-1944, ext. 3221
Email: JCook@ABLawyers.com