be revalidated and the variables for each score interval adjusted accordingly.fi

*   *   *   *   *

3. In Supplement I to Part 202, under *Section 202.5 Rules Concerning Taking of Applications,* under 5(e) *Written applications.,* paragraph 3. would be revised to read as follows:

*   *   *   *   *

Section 202.5 Rules Concerning Taking of Applications

*   *   *   *   *

5(e) Written applications.

*   *   *   *   *

3. *Computerized entry.* Information entered directly into and retained by a computerized system qualifies as a written application under this paragraph. (See the commentary to section 202.13(b) fi , *Applications through electronic media and Applications through interactive video*fi .)

*   *   *   *   *

4. In Supplement I to Part 202, *Section 202.6 Rules Concerning Evaluation of Applications* would be amended as follows:

a. Under Paragraph 6(b)(2), paragraph 2. would be revised; paragraphs 4. and 5. would be redesignated as paragraphs 5. and 6., respectively; and new paragraph 4. would be added; and

b. Paragraph 6(b)(6) would be revised.

The additions and revisions would read as follows:

*   *   *   *   *

Section 202.6—Rules Concerning Evaluation of Applications

*   *   *   *   *

Paragraph 6(b)(2)

*   *   *   *   *

2. *Consideration of age in a credit scoring system.* Age may be taken directly into account in a credit scoring system that is "demonstrably and statistically sound," as defined in § 202.2(p), with one limitation: an applicant who is 62 years or older must be treated at least as favorably as anyone who is under 62. fi For example, an applicant who is 62 years or older may not be denied credit if an applicant under age 62 with the same characteristics would be approved for credit under the scoring system. Thus, a creditor using an age-based credit scoring system must ensure that elderly applicants who do not qualify under the factors assigned to elderly age groups are rescored using the factors or weights assigned to all other age groups in the system.fi

*   *   *   *   *

fi 4. *Consideration of age in a reverse mortgage.* A reverse mortgage is a home-secured loan in which the borrower receives payments from the creditor, and does not become obligated to repay these amounts until the expiration of a term or when the borrower dies, moves permanently from the home, or transfers title to the home. Disbursements to the borrower under a reverse mortgage typically are determined by considering the value of the borrower's

home, the current interest rate, and the borrower's life expectancy. Age may be directly taken into account in setting the terms of a reverse mortgage without violating the regulation B.fi

*   *   *   *   *

Paragraph 6(b)(6)

1. [*Types of credit references.*]
fi *Evaluating credit history.*fi A creditor may restrict the types of credit history and credit references that it will consider, provided that the restrictions are applied to all credit applicants without regard to sex, marital status, or any other prohibited basis. However, on the applicant's request, a creditor must consider credit information not reported through a credit bureau when the information relates to the same types of credit references and history that the creditor would consider if reported through a credit bureau.

fi i. At the applicant's request, a creditor must consider credit information of the same type that the creditor would consider if reported through a credit bureau. For example, if a creditor normally considers car loan payments, and the consumer presents credible information (such as cancelled checks or money-order receipts) about payment history on a car loan from a finance company that did not report to a credit bureau, the creditor must consider this information in its evaluation of credit history.

ii. At the applicant's request, a creditor must consider information that a credit history reported in both spouses' names does not accurately reflect the applicant's ability or willingness to repay. For example, assume an applicant applies for individual credit and the credit bureau report shows late payments on a mortgage obligation held jointly with a former spouse. If the applicant can demonstrate that the former spouse alone was responsible for the late payments (such as by a transfer of title to the former spouse and a document from the mortgage creditor that released the applicant from liability for the debt) the creditor must disregard both the mortgage debt and the late payments in determining the applicant's creditworthiness.fi

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5. In Supplement I to Part 202, *Section 202.7—Rules Concerning Extensions of Credit,* would be amended as follows:

a. Under Paragraph 7(d)(2), paragraph 1. would be revised; and

b. Paragraph 7(d)(6) would be revised.

The revisions would read as follows:

*   *   *   *   *

Section 202.7—Rules Concerning Extensions of Credit

*   *   *   *   *

Paragraph 7(d)(2)

1. *Jointly owned property.* fi a. *Valuation of applicant's interest.*fi In determining the value of [the] fi an fi applicant's interest in jointly owned property, a creditor may consider factors such as the [form of ownership and the] property's susceptibility to attachment, execution, severance, or

partition and the cost of such action. fi This determination must be based on the actual form of ownership of the property prior to or at consummation, and not on the possibility of a subsequent change in the form of ownership. For example, in determining whether a married applicant's interest in property is sufficient to satisfy the creditor's standards of creditworthiness for individual credit, a creditor may not obtain the signature of the nonapplicant spouse based on the possibility that the applicant's separately-held property may be transferred into tenancy by the entirety after consummation. Similarly, a creditor may not routinely require a nonapplicant joint owner to execute any document (such as a quitclaim deed) that would change the nonapplicant joint owner's interest in property offered by the applicant to support the extension of credit.

b. *Other options to support credit.*fi If the applicant's interest in the property does not support the amount and terms of credit sought, the creditor may give the applicant some other option of providing additional support for the extension of credit[, f] fi . F fi or example[—]fi :

i.fi [r]fi R fi equiring an additional party under § 202.7(d)(5)fi ;

ii.fi [o]fi O fi ffering to grant the applicant's request on a secured credit basisfi ; or

iii.fi [a]fi A fi sking for the signature of the co-owner of the property on an instrument that ensures access to the property but does not impose personal liability unless necessary under state lawfi (which could include, for example, a security agreement, deed of trust, mortgage, limited guarantee, quitclaim deed, or status statement from the nonapplicant owner).fi

*   *   *   *   *

Paragraph 7(d)(6)

1. *Guarantees.* A guarantee on an extension of credit is part of a credit transaction and therefore subject to the regulation. fi A creditor may require the personal guarantee of the partners, directors, or officers of a business even if the business itself is creditworthy. The guarantee must be based on the guarantor's relationship with the business, however, and not on a prohibited basis.

2. *Spousal guarantees.* The rules in § 202.7(d) bar a creditor from requiring the signature of a *guarantor's spouse* just as they bar the creditor from requiring the signature of an *applicant's spouse.* For example, although a creditor may require all officers of a closely held corporation to personally guarantee a corporate loan, the creditor may not automatically require that spouses of married officers also sign the guarantee. If an evaluation of the financial circumstances of an officer indicates that an additional signature is necessary, however, the creditor may require the signature of a spouse in appropriate circumstances—for example, if the property relied upon to meet the creditor's standards is held jointly. In such a case, the creditor could ask the spouse to sign an instrument that provides for liability to the extent of the spouse's interest in the property relied upon to support the credit (such as a limited guarantee).fi

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