

# What is a Special Purpose Credit Program?

SPCPs are targeted lending products designed to specifically advantage an economically disadvantaged group of people. SPCPs can be created to benefit designated protected classes of people.

SPCPs are not new at all. They were made allowable in 1974 as a provision of the Equal Credit Opportunity Act to counteract centuries of unfair laws and policies that deprived millions of consumers the right and opportunity to access fair mortgage and credit opportunities. Those unfair laws and policies created many inequities and barriers in our housing and lending markets that still impact millions of consumers. SPCPs are a way of providing these consumers access to the quality, affordable, sustainable credit they need to live successful, thriving lives. Regulation B, which implements the Equal Credit Opportunity Act, provides more context for SPCPs.

SPCPs are explicitly permitted by statute. The Equal Credit Opportunity Act (ECOA), first passed in 1974, prohibits discrimination in credit on the basis of race or national origin, among other factors. 15 U.S.C. § 1691(a)(1). However, ECOA also states that it does not constitute discrimination for a for-profit organization to refuse to extend credit offered pursuant to a special purpose credit program in order “to meet special social needs” or for a nonprofit to administer a “credit assistance program” for its members or an “economically disadvantaged class of persons” (collectively “SPCPs”). *Id.* at § 1691(b)-(c). Congress ensured that these programs permit consideration of prohibited bases such as race, national origin, or sex in order to “increase access to the credit market by persons previously foreclosed from it.”

Regulation B contains the official regulations that implement ECOA. Regulation B prescribes different standards for three types of SPCPs, those that are:

- “authorized by law,”
- offered by a not-for-profit, and
- offered by a for-profit organization.

Programs authorized by law or provided by non-profit organizations

must be “for the benefit of an economically disadvantaged class of persons” or for members of the not-for-profit organization. 12 C.F.R. § 1002.8(a)(1)-(2)

In contrast, SPCPs offered by a for-profit organization (or in which a for-profit participates) must be offered to “meet special social needs” and they must be established to extend credit to a group of people who:

under the organization’s customary standards of creditworthiness, probably would not receive such credit or would receive it on less favorable terms than are ordinarily available to other applicants applying to the organization for a similar type and amount of credit.

12 C.F.R. § 1002.8(a)(3)