

# Ordinance No. 105987

AN ORDINANCE establishing a Public Reinvestment Review Board, defining its membership and organization, declaring its duties and powers, and providing for supplies, clerical assistance, and staffing for the performance of its functions.

*11/17 - Pass AS Amended*

ENGROSSED

C.F. 283919

## Council Bill No. 97832

INTRODUCED: October 25, 1976	BY: KRAABEL
REFERRED: October 25, 1976	TO: Planning and Urb. Dev.
REFERRED:	
REPORTED: NOV 22 1976	SECOND READING: NOV 22 1976
THIRD READING: NOV 22 1976	SIGNED: NOV 22 1976
PRESENTED TO MAYOR: NOV 23 1976	APPROVED: NOV 29 1976
RETD. TO CITY CLERK: NOV 29 1976	PUBLISHED:
VETOED BY MAYOR:	VETO PUBLISHED:
PASSED OVER VETO:	VETO SUSTAINED:
ENGROSSED:	BY:
VOL.....	PAGE.....

ORDINANCE 105987

1 AN ORDINANCE establishing a Public Reinvestment Review Board, defining its  
2 membership and organization, declaring its duties and powers, and providing  
for supplies, clerical assistance, and staffing for the performance of its func-  
tions.

3 WHEREAS, in July 1975, the Central Seattle Community Council Federation re-  
4 leased a report alleging disinvestment of older neighborhoods by lending in-  
stitutions in Seattle; and since then numerous other community organizations  
and citizens have also alleged that disinvestment has occurred in Seattle;

5 WHEREAS, on July 9, 1975, the Mayor along with Councilmembers John Miller and  
6 Paul Kraabel announced the formation of a Reinvestment Task Force to  
determine and document investment policies and any problems therewith, to  
7 evaluate policies in other cities, and to recommend actions to encourage  
policies in the best interests of Seattle;

8 WHEREAS, on April 16, 1976, a draft report of the Reinvestment Task Force was  
9 promulgated, followed on June 8 with two separate final reports by the lender  
members of the Reinvestment Task Force and the community members of the  
10 Reinvestment Task Force which were submitted to the Mayor and City  
Council;

11 WHEREAS, on August 19, 1976, the Mayor prepared a document entitled a Seattle  
12 Residential Loan Review Process, a copy of which is attached, that  
recommends adoption of certain appraisal and underwriting standards, estab-  
13 lishment of a Lenders' Review Board and a Public Reinvestment Review Board,  
the publication of certain information by participating lending institutions, and  
14 the execution by participating lending institutions of a Statement of Participa-  
tion; and the Statement of Participation subordinates the standards, policies,  
and procedures governing the loan review process to compliance with federal  
15 and state laws;

16 WHEREAS, on August 24, 1976, the Mayor appointed the Lenders' Review Board to  
17 carry out the purposes and procedures of the Seattle Residential Loan Review  
Process, and eight lending institutions agreed to participate on the basis of the  
Seattle Residential Loan Review Process dated August 19, 1976.

18 WHEREAS, a significant number of Seattle lending institutions did not wish to  
19 participate in the Lenders' Review Board on the basis of the Seattle Resi-  
dential Loan Review Process dated August 19, 1976, for reasons including: (1)  
20 potential conflict with antitrust and other federal and state laws, and (2)  
concerns raised in advisory letters from regulatory officials charged with the  
responsibility for the supervision of financial institutions making real estate  
loans;

21 WHEREAS, on September 3, 1976, the Mayor requested an advisory opinion from the  
22 United States of America, Department of Justice, Anti-Trust Division  
"whether any provisions of the document appear to be in conflict with federal  
23 anti-trust laws" and made similar requests to state officials with regulatory  
authority over lending institutions chartered by the state; and the Mayor has  
24 indicated that if any provisions of the Seattle Residential Loan Review Process  
are found to be inconsistent with federal or state law revisions shall be made;

25 WHEREAS, on October 11, 1976, the Lenders' Review Board adopted bylaws, a copy  
26 of which is attached, which bylaws provide for the review of loan applications  
to determine whether they were "improperly based upon the geographical  
27 location of the security property or other non-economic considerations,"  
provide for participation by lending institutions which agree to cooperate and  
support the bylaws and pay their fair share of the Board's expenses, and  
28 provide for membership, budget, and operations of the Lenders' Review Board;  
and most of the lending institutions which did not wish to participate on the  
basis of the Seattle Residential Loan Review Process dated August 19, 1976,  
have agreed to participate in accordance with the bylaws; and

1 WHEREAS, implementation of the Seattle Residential Loan Review Process requires  
2 the establishment of a Public Reinvestment Review Board and establishment  
3 of such a Board and the procedures contemplated herein may contribute to  
4 stimulating reinvestment within Seattle neighborhoods and fulfilling com-  
5 munity and business needs for credit; and would further the goals and purposes  
6 of the Home Mortgage Disclosure Act of 1975 (89 Stat. 1125 et seq.; 12 USC  
7 2801 - 2809), the Housing and Community Development Act of 1974 (88 Stat.  
8 633; 42 USC 5301 et seq.) and other federal laws and city policies  
9 implementing them; and may assist in preventing the occurrence of discrimina-  
10 tion that would violate the Civil Rights Act of 1964 (78 Stat. 241; 42 USC §  
11 2000d), the Civil Rights Act of 1968 (82 Stat. 83; 42 USC § 3604, 3605), and the  
12 Equal Credit Opportunity Act of 1974 (88 Stat. 1521; 15 USC § 1691), the State  
13 Law Against Discrimination (RCW Chapter 49.60), and Ordinance 102843,  
14 Section 12A.44.020; and would serve the best interests of the City; Now,  
15 Therefore,

16 BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

17 Section 1. Definitions. The following terms shall have the following  
18 meanings, unless the context indicates otherwise:

19 (a) "Appraisal and underwriting policies" means the appraisal and under-  
20 writing standards set forth in Section II of the Seattle Residential Loan Review  
21 Process dated August 19, 1976, a copy of which is attached, as amended or supple-  
22 mented from time to time in accordance with Section 7 of this ordinance, provided  
23 nothing therein shall authorize any action that would be contrary to federal or state  
24 law or city ordinance.

25 (b) "Board" means the Public Reinvestment Review Board established by this  
26 ordinance.

27 (c) "Lending Institution" includes any bank, insurance company, savings or  
28 building and loan association, credit union, trust company, mortgage company, or  
other person engaged wholly or partly in the business of lending money for the  
financing or acquisition, construction, repair or maintenance of real estate in  
Seattle or improvements thereon.

(d) "Lenders' Review Board" means the Board established by real estate  
lending institutions in the City of Seattle to review rejected loan applications.

Section 2. Establishment of a Public Reinvestment Review Board. There is  
hereby established a Public Reinvestment Review Board effective upon confirmation  
by the City Council of the Mayor's appointments to the Board.

1           Section 3. Membership and Organization of the Board.

2           (a) Membership. The Board shall be composed of nine (9) members who are  
3       Seattle residents, who have demonstrated a commitment to neighborhood pre-  
4       servation and revitalization, and who are knowledgeable about reinvestment issues.  
5       Women and racial minorities shall be adequately represented on the Board. The  
6       presiding officer of the Lenders' Review Board shall serve as an ex-officio non-  
7       voting member of the Board in addition to the nine regular members. An alternate  
8       selected by the Lenders' Review Board may serve as a temporary substitute in the  
9       absence of such ex-officio member. No officer or employee of a lending institution  
10      or of the City shall hold any position as a voting member of the Board.

11          (b) Appointments, Terms of Office. Within ten (10) days after the effective  
12      date of this ordinance, the Mayor shall issue a public announcement that nominations  
13      will be accepted for appointments to the Board. The announcement shall state a  
14      reasonable period of time during which nominations will be received and shall solicit  
15      nominations from interested persons and organizations and from the public at large.  
16      After the close of the stated nomination period, the Mayor shall appoint members of  
17      the Board, subject to confirmation by the City Council. Appointments shall be for a  
18      term of three (3) years, provided that of the first voting members so appointed,  
19      three (3) shall serve for a term ending December 31, 1977, and three (3) shall serve  
20      for a term ending December 31, 1978. Vacant and expired terms will be filled in the  
21      same manner as original appointments.

22          (c) Organization, Meetings. The Board shall elect its officers, establish  
23      rules and regulations for its organization and procedures appropriate to the conduct  
24      of its duties. Its rules and regulations shall include policies and practices, consistent  
25      with federal and state laws, to protect the privacy of loan applicants and to prevent  
26      unnecessary disclosure of confidential information. A majority of the Board shall  
27      constitute a quorum. The Board shall hold meetings at least quarterly; its  
28      Chairperson may call additional meetings. Meetings of the Board shall be open to  
29      the public, provided executive sessions limited to the loan applicant(s) and the  
30      affected lending institution(s) may, upon request of the loan applicant(s), be held to



1 consider and conciliate a referral or appeal from the Lenders' Review Board.

2 (d) Compensation. Members of the Board shall serve without compensation.

3 Section 4. Duties of the Board. The Board shall have the powers and duties  
4 set forth in this Section 4.

5 (a) Referrals and Appeals from the Lenders' Review Board. The Board shall  
6 review in a timely manner loan applications and any other matters referred by or  
7 appealed from the Lenders' Review Board. The review shall be conducted in  
8 accordance with the appraisal and underwriting policies. The following guiding  
9 principles shall govern appeal procedures:

10 (1) Whenever, after considering the evidence presented, the Board  
11 concludes that a loan should have been or should be granted upon the basis of the  
12 appraisal and underwriting policies, the Board will endeavor to secure such a loan for  
13 the applicant(s) in accordance with the application made. If the Board concludes  
14 from the evidence that certain modifications in certain terms and conditions of  
15 extending credit or on the amount of credit extended would or reasonably should  
16 make credit, otherwise denied, available to the applicant(s) on the basis of the  
17 appraisal and underwriting policies, the Board may inform the applicant(s) and the  
18 affected lending institution(s), and at the request of the applicant(s), the Board will  
19 recommend a basis for settlement of the appeal or referral to the applicant(s) and  
20 the affected lending institution(s) and, if the applicant(s) be willing, the Board will  
21 endeavor to secure a loan for the applicant(s) in accordance with its recommenda-  
22 tion. In either endeavor, the Board may, among other alternatives, request the  
23 affected lending institution(s) to reconsider, recommend further review and con-  
24 sideration of the matter by the Lenders' Review Board, offer conciliation services,  
25 and/or seek placement with lending institutions.

26 (2) If the Board concludes on the basis of the appraisal and under-  
27 writing policies that an application for a loan was properly denied and the Board  
28 determined that the process of seeking modifications in order to procure a loan does  
not seem feasible or should not be pursued further, the Board will inform the

1 applicant(s) and the affected lending institution(s) of its decision and the reasons for  
2 its decision.

3 (3) If the Board concludes that conditions on the block or in the im-  
4 mediate vicinity of the property to be purchased, improved, or secured by the re-  
5 quested loan form the basis for a denial of an application for a loan or cause adverse  
6 terms or conditions for the extension of credit, the Board will bring the conditions  
7 and the problems caused to the attention of those public agencies and/or private  
8 persons and interests which have the authority and resources to improve the  
9 conditions.

10 (4) The Board will review and decide all appeals within twenty-one (21)  
11 working days after receipt of the notice of appeal and supporting documentation.

12 (b) Complaints Regarding Lending Institutions. The Board shall review  
13 complaints that are brought before it regarding the financing of the purchase or  
14 improvement of real estate in accordance with the appraisal and underwriting  
15 policies, provided that whenever the applicant(s) in filing a complaint seek a loan  
16 pursuant to an application, the complaint shall first be reviewed by the Lenders'  
17 Review Board.

18 (c) Monitoring and Reporting on Disclosure Information. The Board shall:

19 (1) Monitor disclosure information reported by lending institutions  
20 pursuant to the Home Mortgage Disclosure Act of 1975 (89 Stat. 1125; 12 USC §  
21 2801-2809) and any other available information similar thereto, analyze or compile  
22 the same, and make such reports as deemed appropriate; and

23 (2) Present to the Mayor, the City Council, the Lenders' Review Board  
24 and participating lending institutions an annual report upon residential lending  
25 patterns in Seattle based on the disclosure information monitored by the Board and  
26 any other relevant information, including among other matters, an analysis and  
27 documentation of trends in denials of applications for loans and of variations from  
28 the appraisal and underwriting policies. The first report shall be due no later than  
December 31, 1976.

1 (d) Review of Applications to Regulatory Agencies. The Board may review  
2 and make recommendations to state and federal regulatory agencies on applications  
3 filed by lending institutions for issuance of charters, for coverage by deposit  
4 insurance, for approval of branch offices, relocation or expansion of offices, for  
5 approval of acquisitions and mergers, and for taking other actions that require  
6 authorization or consent by such regulatory agencies and may affect the credit  
7 available to Seattle neighborhoods, based on:

8 (1) The lending institution's record in meeting the credit needs of  
9 Seattle neighborhoods;

10 (2) The lending institution's efforts to determine the current and  
11 future credit needs of Seattle neighborhoods;

12 (3) The lending institution's policy and program commitments to meet  
13 the current and future credit needs of Seattle neighborhoods; and

14 (4) The lending institution's participation in and cooperation with the  
15 Lenders' Review Board and cooperation with the Board in fulfilling its duties under  
16 this ordinance.

17 Section 5. Public Hearings. In carrying out its duties, the Board may conduct  
18 public hearing and accept public testimony, provided that such hearings are  
19 conducted in a manner to protect the privacy of loan applicant(s) and prevent un-  
20 necessary disclosure of confidential information.

21 Section 6. Staff Support. The City shall provide the Board adequate support  
22 for the execution of its duties, including clerical assistance, staff and office supplies,  
23 through an office or department of City government designated by the Mayor.

24 Section 7. Amendment of Appraisal and Underwriting Policies. The Board  
25 may amend the appraisal and underwriting policies employed by the Board, and when  
26 such amendments are filed with the City Comptroller they shall have the force and  
27 effect of amendments to the appraisal and underwriting policies employed by the  
28 Board.

Section 8. Review of Board. In accordance with Ordinance 99003, the Board shall submit to the City Council two years after its establishment, or at the discretion of the City Council at an earlier time, a report on the function and activities of the Board, and the report shall be reviewed by the City Council to determine whether the Board should be continued.

Section 9. This ordinance shall take effect and be in force thirty days from and after its passage and approval, if approved by the Mayor; otherwise it shall take effect at the time it shall become a law under the provisions of the city charter.

Passed by the City Council the 22 day of November, 1976,  
and signed by me in open session in authentication of its passage this \_\_\_\_\_ day of  
November, 1976.

\_\_\_\_\_  
President of the City Council.

Approved by me this 29 day of November, 1976.

\_\_\_\_\_  
Mayor.

Filed by me this 29 day of November, 1976.

Attest:

E. L. Kinn  
City Comptroller and City Clerk.

(SEAL)

Published \_\_\_\_\_

By

R. Angewine  
Deputy Clerk.



SEATTLE RESIDENTIAL  
LOAN REVIEW PROCESS

August 19, 1976

## SECTION I

### SEATTLE RESIDENTIAL LOAN REVIEW PROCESS

Participation in the Seattle Residential Loan Review Process will be on the basis of the following purposes and procedures:

#### A. Purposes

1. Adherence to appraisal and underwriting standards which assure credit worthy loan applicants access to conventional residential loans for property located in any Seattle block on the same terms such loans are available in the suburbs.
2. Provision of an appeals process for Seattle residential loan applicants who believe that a participating lending institution has improperly applied these appraisal and underwriting standards.
3. Development of a common interpretation of these appraisal and underwriting standards by a review of loan applications which participating lending institutions reject or for which they offer terms less favorable than their uniform loan terms.
4. Identification of any Seattle blocks which represent risks that justify exceptions from these appraisal and underwriting standards so that steps can be taken, if possible, to eliminate the causes of those risks.
5. Expansion of informed consumer choice among lending institutions through the publication of loan terms for conventional and FHA-VA loans.

#### B. Participation in the Seattle Loan Review Process

1. Initially, each lending institution serving Seattle through real estate lending will be invited by the Mayor to participate in the Seattle Residential Loan Review Process through the adoption of the revised appraisal and underwriting standards and agreement to the purposes and procedures governing the Loan Review Process.
2. The chief executive officer of each lending institution which wishes to participate in the Seattle Residential Loan Review Process will sign and return to the Mayor the attached participation form.
3. Each lending institution which participates in the Seattle Residential Loan Review Process may nominate one employee to the Lenders' Review Board.
4. Lending institutions which join the Seattle Residential Loan Review Process after its initiation may do so by following the procedures specified in 1, 2 and 3 of this section (B). Each institution will also be entitled to nominate one employee for membership on the Lenders' Review Board as vacancies arise.

#### C. Membership and Organization of Lenders' Review Board

1. The Lenders' Review Board will be composed of nine lender members and one

ex-officio representative from the Mayor's Office of Policy Planning. At least four of the lender members will be women and minorities.

2. The lender members will be appointed by the Mayor from the nominations submitted by lending institutions participating in the Seattle Residential Loan Review Process.
3. The Mayor will appoint the Board within 10 days of receipt of the initial nominees. Appointments will be for terms of not less than one nor more than three years.
4. Should a Review Board member terminate his or her affiliation with a participating lending institution then membership on the Review Board shall be terminated.
5. Vacant and expired terms will be filled in the same manner as the original appointments.
6. Members of the Lenders' Review Board will elect a chairperson and any other officers necessary to carry out the Board's responsibilities.
7. The Lenders' Review Board will adopt organizational procedures necessary for the orderly conduct of its business. These procedures will be included in all materials advertising the Seattle Residential Loan Review Process.
8. The Lenders' Review Board will prepare minutes describing the considerations and actions of the Board and distribute them to the Mayor, the City Council, all the participating financial institutions, and to the Public Review Board.

#### D. Loan Review Process

1. a. Each loan applicant will be provided a statement of the uniform loan terms in effect at that time and a brochure describing these appraisal and underwriting standards and the loan review process. A loan applicant is considered any individual making an in person inquiry about a residential loan.
- b. At that time, the person will be informed orally of the right to appeal any loan decision by the lending institution whether their decision relates to a written or oral request for a loan.
- c. If a lending institution rejects a loan application or offers terms at variance with its uniform terms, it will so notify the applicant in writing and indicate the specific appraisal and underwriting standard(s) and credit criteria which were used in arriving at that decision. The written notice will include a statement explaining that person's right to have the lending institution's decision appealed and the procedure to be used in the appeal.
- d. Any person appealing a lending institution's decision is entitled to be represented or otherwise assisted before the Review Boards. Examples: officers of community organizations, ministers, friends, attorneys, engineers, contractors, architects.

- e. If the Lenders' Review Board determines that the lending institution which rejected the loan or offers terms at variance with its uniform terms has not properly applied the appraisal and underwriting standards contained in Section II, and that the loan should be made, the Board shall recommend that the loan be made.

If the lending institution does not make the loan in accordance with the recommendation, the Lenders' Review Board will place the loan with another participating institution.

If a participating lending institution does not follow the recommendations of the Lenders' Review Board, it will provide the Board with a written explanation of its decision which shall be incorporated into the minutes of the Lenders' Review Board.

- f. If the Lenders' Review Board determines that the lending institution which rejected the loan application or offered terms at variance with its uniform terms has made its judgement in accord with these appraisal and underwriting standards, the lending institution will give the applicant written notice of the Lenders' Review Board decision along with its documented reasons supporting the rejection or alteration in terms. The written notice will include a statement explaining that person's right to have the decision appealed to the Public Review Board and the procedure to be used in the appeal.
- g. If the Public Review Board concludes that the lending institution and the Lenders' Review Board did not act in accord with these appraisal and underwriting standards, it will attempt to persuade the lending institution to reconsider its evaluation.
- h. If the Public Review Board concurs that a rejection of the loan application or modification in terms is consistent with these appraisal and underwriting standards, written notice of this decision along with the documented reasons will be forwarded to the applicant through the lending institution which received the application.
- i. If the Lenders' and Public Review Boards determine that the condition(s) on the block warrant a rejection or alteration in terms, the Boards will bring the problem(s) to the attention of those public agencies and/or private interests which have the authority and resources to improve the conditions.
- j. During the first six months the Seattle Loan Review Process is in operation, participating lending institutions will solicit the authority of loan applicants to forward to the Lenders' Review Board all firm applications and supporting documentation for loans which were rejected or whose terms were altered. The Lenders' Review Board will analyze this information to determine whether the decisions of participating institutions were made in accord with these appraisal and underwriting standards and whether the appeal process should be strengthened. At the end of the six months period, the Lenders' Review Board will make a report and appropriate recommendations to participating lending institutions, the Public Review Board, and Mayor.

2. Applicants who appeal to the Lenders' and Public Review Boards will have a determination from the appropriate Board(s) no later than 21 working days after the Board(s) has received the applications.
3. The Lenders' and Public Review Boards will adopt policies consistent with Federal and State laws to protect the confidentiality of information provided by loan applicants.

E. Publication of Uniform Loan Terms

The participating lenders will submit to the Public Review Board twice monthly the uniform loan terms, down payments, repayment periods, interest rates and loan fees for conventional and FHA-VA residential loans for all participating lending institutions.

## SECTION II

### APPRAISAL AND UNDERWRITING POLICIES OF THE LENDING INSTITUTIONS PARTICIPATING IN THE SEATTLE RESIDENTIAL LOAN REVIEW PROCESS

The following appraisal and underwriting policies will apply to all first mortgage, rehabilitation and home improvement loans (both secured and unsecured) on single-family and multi-family residential structures.

- A. Appraisal and Underwriting Standards for Evaluating Neighborhood and Property Conditions and the Credit Worthiness of Applicants.
- B. Uniformity of Downpayments, Repayment Periods, Interest Rates and Finance Charges Throughout Seattle and the Suburbs.
- C. Disclosure to Loan Applicants: Appraisals and Credit Evaluations, Appraisal and Underwriting Standards, Uniform Loan Terms and Description of Loan Review Process.

- A. Appraisal and Underwriting Standards for Evaluating Neighborhood and Property Conditions and the Credit Worthiness of Applicants.

#### 1. Neighborhood Conditions:

All types of real estate loans will be made available on every block in Seattle without alteration in loan terms (down payments, repayment periods, interest rates and finance charges). If there is reason to believe that the condition(s) on a block warrant a rejection of the loan or alteration in terms, a description of the nature and extent of the risk(s) will be prepared. Also, an analysis will be prepared which shows that the degree of risk justifies the loan rejection or alteration in terms. Examples of such risk factors are adverse geologic and atmospheric conditions such as slides and air and noise pollution and extensive housing abandonment. Both the description and analysis of the condition(s) on the block will be submitted to the Lenders' Review Board.

- b. In reviewing a lending institution's description and analysis of risk factors, the Lenders' Review Board will look specifically for constructive efforts to mitigate any adverse conditions on the block. These constructive efforts may include, but should not be limited to, self-help improvement efforts of residents on the block, provision of basic housekeeping services by the City, housing rehabilitation and other neighborhood improvement programs sponsored by community organizations, the City, lenders or other organizations. In those cases where the Lenders' Review Board can document reasonable efforts to eliminate the cause(s) of risk on the block, it will support the loan applicant.



- c. If the Lenders' Review Board concurs that the condition(s) on the block warrant a rejection or alteration in loan terms, the Public Review Board will review the description and analysis of the block condition(s) and all mitigating factors, and make a recommendation to the lending institution.
- d. If the Lenders' and Public Review Boards concur that the condition(s) on any block warrant a loan rejection or alteration in terms, the Boards will bring the problem(s) to the attention of those public agencies and/or private interests which have the authority and resources to improve the conditions so that conventional lending can be resumed without alteration in loan terms.
- e. Participating lending institutions will instruct appraisers: not to provide information on the racial, ethnic and economic composition of neighborhood residents, the overall age of neighborhood housing or appraisers' estimates of the quality of neighborhood schools; and, if it is provided, the lender will disregard it.
- f. Legitimate neighborhood factors to be used in the selection of comparable properties may include topography, view and proximity to shopping and public resources such as parks, recreational facilities and public transportation.

## 2. Property Conditions

- a. Loans secured by real estate will be made on every residential structure in Seattle whose physical condition can reasonably be expected to protect the health and safety of the occupants.
- b. The following sources may be used to determine the physical condition of residential structures: Appraisal reports, surveys by private building inspection firms and advisory inspections conducted by the City Department of Buildings.
- c. If residential properties are not in safe and sanitary condition, but are economically feasible to repair, financing for property repairs will be made available to loan applicants. The economic feasibility of such repair loans will be determined by two criteria:
  - i. Underwriting policies for credit worthiness which are incorporated into the appraisal and underwriting standards adopted by participants in the Seattle Loan Review Process. (See Section I. A. 3. Credit Worthiness of Applicants.) These policies include an evaluation of applicants' financial capacity to maintain the property in a safe and sanitary condition and replace worn out structural and mechanical components as well as repay the indebtedness.
  - ii. That the market value of the subject property after rehabilitation is not less than a total of the repair cost and the outstanding indebtedness on the subject property.

Applicants for repair loans which satisfy the criteria for economic feasibility must enter into binding agreements with the lending institutions to make the needed repairs on a mutually agreed upon schedule.

- d. When considering a loan application for a residential structure whose as-is or after-repair condition represents a higher degree of improvement than other residential structures on the block, the appraisal policy will be to base the estimated market value of the subject property on comparisons with similarly improved properties. The estimated market value of the subject property should not be reduced because other properties on the same block are not improved to the same level.

### 3. Credit Worthiness of Applicants

- a. Credit standards will be maintained which provide reasonable assurances that borrowers will repay the loans.
- b. The following guidelines will be used in evaluating the credit worthiness of loan applicants for owner occupied units:
  - i. Borrowers must have established a credit record which reflects proper regard for repayment of obligations.
  - ii. When a review of the credit record indicates that an applicant has not met past credit obligations, a diligent effort will be made to determine whether the reasons for the delinquencies were beyond the control of the applicant with a minimal probability of recurrence.
  - iii. Borrowers must have clearly established a verified source of funds to make the down payments and to pay all other costs incidental to closing a loan.
  - iv. The monthly payment for the loan, taxes and insurance should generally not exceed 35 percent of gross income.
  - v. Borrowers' income sources should be adequate to cover operations, maintenance and replacement of worn out structural and mechanical components in addition to the monthly payment for the loan, taxes and insurance. (The outlays for operations, maintenance and replacement will vary depending on the age and condition of the house and the type and use of utilities.)
  - vi. The total of the mortgage payment and any other installment obligations extending beyond 10 months generally should not exceed 35 percent of verified gross monthly income.
  - vii. Joint incomes of wives and husbands as well as income from second jobs held for reasonably long periods of time will be given full consideration, unless it can be determined that such income can not be expected to continue.

- c. Standard income and expense analyses will be used to evaluate the income potential of rental units whose owners apply for loans.

B. Uniformity of Down Payments, Repayment Periods, Interest Rates and Finance Charges Throughout Seattle and the Suburbs.

1. Each institution will maintain uniform requirements in its lending policies and practices for down payments, repayment periods, interest rates and finance charges. These terms will, as a matter of policy, be applied uniformly to properties, borrowers and blocks throughout Seattle and the surrounding suburbs. A lending institution may grant different terms on a case by case basis when special circumstances warrant; however, in no case will the terms be more stringent than the published uniform terms.
2. There may be some variance in conventional residential loan terms among lending institutions, but each institution will apply its terms uniformly throughout Seattle and the suburbs. Example: A bank participating in the loan review process may establish minimal downpayment requirements at 10 percent and a participating savings and loan association may set its minimal requirement at 15 percent. However, both institutions will uniformly apply these requirements to all borrowers and properties throughout the City and suburbs.
3. The loan terms of each institution may vary from time to time, depending on fluctuations in interest rates and the availability of funds. However, changes in loan terms will be applied uniformly. Example: A savings and loan association participating in the loan review process may ration its supply of lendable funds, because of deposit outflows. The rationing takes the form of increased downpayment requirements. The revised downpayment requirements will be applied equally to borrowers and properties throughout the City and suburbs.
4. Loan terms may be adjusted according to the financial needs of applicants as long as the modified rates are uniformly available to all applicants. Example: A mutual savings bank participating in the loan review process may establish its minimal required downpayment at 10% and the maximum interest rate at 9.25 percent. However, applicants who make downpayments of 25% may be entitled to a reduced interest rate of 9.00 percent. These variations in rates will be uniformly available throughout the City and suburbs.
5. Loan terms required on non-owner occupied properties may be more stringent than those required on owner-occupied residential properties. However, the loan terms on non-owner occupied properties will be applied uniformly throughout Seattle and the suburbs.

Disclosure to Loan Applicants: Appraisal and Credit Evaluations, Appraisal and Underwriting Standards, Uniform Loan Terms and Description of Loan Review Process.

1. Appraisals

When a lending institution rejects a loan application or offers terms at variance with the uniform terms because of a property appraisal the loan applicant will be provided a copy of the property appraisal along with a letter indicating the specific reasons for the rejection or modification of the loan terms.

2. Credit Reports

Applicants who wish to review their credit records and correct any misinformation will be provided with the name, address and phone number of the consumer credit reporting agency which is the source of the credit records. (The federal Fair Credit Reporting Act of 1971 gives consumers the right to review their credit files and correct any misinformation. Under the Act, the review and correction must be done at the consumer credit reporting agency which issued the credit report and not at the lending institution which granted or denied credit on the basis of that report.) (See above stated policy I.A.3.b.ii.)

3. Appraisal and Underwriting Standards, Uniform Loan Terms, Loan Review Process

Lenders shall provide a statement of the uniform loan terms which are in effect at that time and a brochure describing these appraisal and underwriting standards and the Seattle loan review process. A loan applicant is any individual making an in-person inquiry into the possibility of a residential loan.

STATEMENT OF PARTICIPATION IN  
SEATTLE RESIDENTIAL LOAN REVIEW PROCESS  
AND NOMINATION FOR APPOINTMENT TO LENDERS' REVIEW BOARD

The \_\_\_\_\_ hereby  
(name of lending institution)

indicates its participation in the Seattle Residential Loan Review Process,  
its willingness to share in the reasonable costs of the Lenders' Review  
Board and its commitment to use these appraisal and underwriting standards and  
to adhere to the purposes and procedures governing the Loan Review Process so  
long as federal and state laws do not specifically prohibit compliance with  
these standards and procedures. It is understood that the lending institutions'  
participation is a voluntary, non-contractual commitment.

\_\_\_\_\_  
(date)

\_\_\_\_\_  
(Chief Executive Officer)

Draft #3

BYLAWS  
OF  
THE GREATER SEATTLE RESIDENTIAL LENDERS REVIEW BOARD

SECTION 1

Name

The name of this board will be the Greater Seattle Residential Lenders Review Board.

SECTION 2

Purposes

The purposes of this board are:

A. To review, upon written request by applicants, rejected single family residential loan applications to determine whether such rejections were improperly based upon the geographical location of the security property or other non-economic considerations.

B. To review, upon written request by applicants, approved single family residential loan applications when the borrower believes that the proposed loan terms granted are adverse to the borrower based upon the geographical location of the security property or other non-economic considerations.

C. In those cases where the Board, after review, makes a determination that a loan application was improperly rejected or granted on adverse terms upon the bases described in paragraphs 2A and 2B above, to attempt to persuade the lender to reconsider such application or to place such loan with another lender.

D. To publicize the commitment of lenders to fair housing lending practices and the role and function of the board.

SECTION 3

Participating Institutions

All federally insured lending institutions and all Federal Housing Administration approved lenders may become a participating lender by agreeing to cooperate and support the purposes of the board and to pay its fair share of the expenses of the board.



## Membership of Review Board

A. The Lenders Review Board shall be composed of nine persons, each of whom shall be an employee of a different participating lender. The membership shall be fairly representative of each segment of participating lenders, i.e., representatives from two commercial banks, three savings and loan associations, two mutual savings banks, and two mortgage companies.

B. The members shall initially be selected by the mayor of the City of Seattle from persons nominated by participating lenders.

C. Vacancies shall be filled by the members of the board, nominating persons and forwarding names of such nominee or nominees, to the mayor for his appointment. Candidates for nominees shall be provided by participating lenders to maintain representation in accordance with paragraph A of this section. If the mayor fails to appoint members from nominees within ten days of the submission to him of such names, the remaining members of the board shall fill such vacancy or vacancies from the nominees submitted to the mayor.

D. Term of Office. Members shall serve for a term of two years. Four of the initial board shall serve for one-year terms, the other five for two-year terms. The length of the original term shall be determined by lot.

E. The Mayor of Seattle may designate a representative from his office to serve as an ex-officio non-voting member for a term of one year.

## SECTION 5

### Budget and Expenses

A. The board shall prepare an annual budget for submission to the participating lenders.

B. The actual and budget expenses shall be apportioned to participating lenders on a fair and equitable basis.

C. Participating institutions shall pay their apportioned amount upon call from the board. Failure to pay within 30 days of call shall result in appropriate sanctions including but not being limited to expulsion from the board.

## SECTION 6

### Operations -- Procedures

A. The board shall elect from its members a chairman, vice-chairman and secretary/treasurer who shall serve for terms of one year, and until their successors are selected.

B. The board shall have regular meetings, closed to the public, not less frequently than twice a month at a time and place established by the board.

C. Special meetings of the board may be called by the chairman or by three members upon reasonable notice to all members of the board.

D. A quorum shall be a majority of the members of the board.

E. The board shall adopt and publicize its review procedures and operating rules.

F. The rules contained in the current edition of Robert's Rules of Order newly revised shall govern the board in all cases to which they are applicable and to which they are not inconsistent with these Bylaws and any special rules of order the board may adopt.

G. Minutes of each meeting of the board shall be prepared describing its considerations and actions and shall be distributed to the mayor and City Council of Seattle, to all participating lenders, to a duly constituted public review board established to monitor the Lenders Review Board, and to any other municipality in the Greater Seattle area, if requested.

## SECTION 7

### Amendments

These Bylaws may be amended by a two-thirds vote of the board at any regular or special meeting provided reasonable notice shall have been given to all members of the proposed amendment in advance of such meeting.

# The City of Seattle--Legislative Department

MR. PRESIDENT:

Date Reported  
and Adopted

Your Committee on PLANNING & URBAN DEVELOPMENT

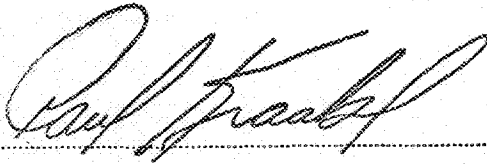
NOV 22 1976

to which was referred

C.B. 97832

Establishing a Public Reinvestment Review Board, defining its membership and organization, declaring its duties and powers, and providing for supplies, clerical assistance, and staffing for the performance of its functions.

RECOMMEND THAT THE SAME DO PASS AS AMENDED



P&UD  
Chairman

Chairman

Committee

Committee

# Affidavit of Publication

STATE OF WASHINGTON,  
KING COUNTY—SS.

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a.....

ORDINANCE NO 105987

was published on Nov 30, 1976

*B. D. Watt*  
Subscribed and sworn to before me on

Nov 30, 1976

*E. J. Anderson*  
Notary Public for the State of Washington,  
residing in Seattle.

AN ORDINANCE establishing a Public Reinvestment Review Board, defining its membership and organization, declaring its duties and powers, and providing for supplies, clerical assistance, and staffing for the performance of its functions.

WHEREAS in July 1975, the Central Seattle Community Council Federation released a report alleging disinvestment of older neighborhoods by lending institutions in Seattle, and since then numerous other community organizations and citizens have also alleged that disinvestment has occurred in Seattle;

WHEREAS on July 5, 1975, the Mayor along with Councilmembers John Miller and Paul Krahel announced the formation of a Reinvestment Task Force to determine and document investment policies and any problems therewith, to evaluate policies in other cities, and to recommend actions to encourage policies in the best interests of Seattle;

WHEREAS on April 16, 1976, a draft report of the Reinvestment Task Force was promulgated, followed on June 5 with two separate final reports by the lender members of the Reinvestment Task Force and the community members of the Reinvestment Task Force which were submitted to the Mayor and City Council;

WHEREAS on August 19, 1976, the Mayor prepared a document entitled a Seattle Residential Loan Review Process, a copy of which is attached, that recommends adoption of certain appraisal and underwriting standards, establishment of a Lenders Review Board and a Public Reinvestment Review Board, the publication of certain information by participating lending institutions, and the execution by participating lending institutions of a Statement of Participation; and the Statement of Participation subordinates the standards, policies, and procedures governing the loan review process to compliance with federal and state laws;

WHEREAS on August 24, 1976, the Mayor appointed the Lenders Review Board to carry out the purposes and procedures of the Seattle Residential Loan Review Process, and eight lending institutions agreed to participate on the basis of the Seattle Residential Loan Review Process dated August 19, 1976;

WHEREAS a significant number of Seattle lending institutions did not wish to participate in the Lenders Review Board on the basis of the Seattle Residential Loan Review Process dated August 19, 1976, for reasons including: (1) potential conflict with antitrust and other federal and state laws; and (2) concerns raised in advisory letters from regulatory officials charged with the responsibility for the supervision of financial institutions making real estate loans;

WHEREAS on September 3, 1976, the Mayor requested an advisory opinion from the United States of America, Department of Justice, Anti-Trust Division "whether any provisions of the document appear to be in conflict with federal anti-trust laws" and made similar requests to state officials with regulatory authority over lending institutions chartered by the state; and the Mayor has indicated that if any provisions of the Seattle Residential Loan Review Process are found to be inconsistent with federal or state law, revisions shall be made;

WHEREAS on October 11, 1976, the Lenders Review Board adopted bylaws, a copy of which is attached, which bylaws...

WHEREAS, implementation of the Seattle Residential Loan Review Process requires the establishment of a Public Reinvestment Review Board and establishment of such a Board and the procedures contemplated herein may contribute to stimulating reinvestment within Seattle neighborhoods and fulfilling community and business needs for credit; and would further the goals and purposes of the Home Mortgage Disclosure Act of 1975 (39 Stat. 1125 ET SEQ.; 12 USC 2801-2809), the Housing and Community Development Act of 1974 (88 Stat. 633; 42 USC 5301 ET SEQ.) and other federal laws and city policies implementing them; and may assist in preventing the occurrence of discrimination that would violate the Civil Rights Act of 1964 (78 Stat. 241; 42 USC 1 2000d), the Civil Rights Act of 1968 (82 Stat. 83; 42 USC 1 3604, 3605), and the Equal Credit Opportunity Act of 1974 (88 Stat. 1531; 15 USC 1 1601), the State Law Against Discrimination (RCW Chapter 49.60), and Ordinance 102342, Section 12A.44-.020; and would serve the best interests of the City; Now, Therefore,

#### BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Definitions. The following terms shall have the following meanings, unless the context indicates otherwise:

(a) "Appraisal and underwriting standards set forth in Section 11 of the Seattle Residential Loan Review Process dated August 19, 1976, a copy of which is attached, as amended or supplemented from time to time in accordance with Section 1 of this ordinance. PROVIDED nothing therein shall authorize any action that would be contrary to federal or state law or city ordinance.

(b) "Board" means the Public Reinvestment Review Board established by this ordinance.

(c) "Lending Institution" includes any bank, insurance company, savings or building and loan association, credit union, trust company, mortgage company, or other person engaged wholly or partly in the business of lending money for the financing or acquisition, construction, repair, or maintenance of real estate in Seattle or improvements thereon.

(d) "Lenders Review Board" means the Board established by real estate lending institutions in the City of Seattle to review rejected loan applications.

Section 2. Establishment of a Public Reinvestment Review Board. There is hereby established a Public Reinvestment Review Board effective upon confirmation by the City Council of the Mayor's appointments to the Board.

#### Section 3. Membership and Organization of the Board.

(a) Membership. The Board shall be composed of nine (9) members who are Seattle residents, who have demonstrated a commitment to neighborhood preservation and revitalization, and who are knowledgeable about reinvestment issues. Women and racial minorities shall be adequately represented on the Board. The presiding officer of the Lenders Review Board shall serve as an EX-OFFICIO non-

voting member of the Board in addition to the nine regular members. An alternate selected by the Lenders Review Board may serve as a temporary substitute in the absence of such EX-OFFICIO member. No officer or employee of a lending institution or of the City shall hold any position as a voting member of the Board.

(b) Appointments. Terms of Office. Within ten (10) days after the effective date of this ordinance, the Mayor shall issue a public announcement that nominations will be accepted for appointments to the Board. The announcement shall state a reasonable period of time during which nominations will be received and shall solicit nominations from interested persons and organizations and from the public at large. After the close of the stated nomination period, the Mayor shall appoint members of the Board, subject to confirmation by the City Council. Appointments shall be for a term of three (3) years. PROVIDED that of the first voting members so appointed, three (3) shall serve for a term ending December 31, 1977, and three (3) shall serve for a term ending December 31, 1978. Vacant and expired terms will be filled in the same manner as original appointments.

(c) Organization. Meetings. The Board shall elect its officers, establish rules and regulations for its organization and procedures appropriate to the conduct of its duties. Its rules and regulations shall include policies and practices, consistent with federal and state laws, to protect the privacy of loan applicants and to prevent unnecessary disclosure of confidential information. A majority of the Board shall constitute a quorum. The Board shall hold meetings at least quarterly. Its Chairperson may call additional meetings. Meetings of the Board shall be open to the public. PROVIDED executive sessions limited to the loan applicant(s) and the affected lending institution(s) may, upon request of the loan applicant(s), be held to consider and conciliate a referral or appeal from the Lenders Review Board.

(d) Compensation. Members of the Board shall serve without compensation.

Section 4. Duties of the Board. The Board shall have the powers and duties set forth in this Section 4.

(a) REFERRALS AND APPEALS FROM THE LENDERS REVIEW BOARD. The Board shall review in a timely manner loan applications and any other matters referred by or appealed from the Lenders Review Board. The review shall be conducted in accordance with the appraisal and underwriting policies. The following guiding principles shall govern appeal procedures:

(1) Whenever, after considering the evidence presented, the Board concludes that a loan should have been or should be granted upon the basis of the appraisal and underwriting policies, the Board will endeavor to secure such a loan for the applicant(s) in accordance with the application made. If the Board concludes from the evidence that certain modifications in certain terms and conditions of extending credit or on the amount of credit extended would or reasonably should make credit otherwise denied, available to the applicant(s) on the basis of the appraisal and underwriting policies, the Board may inform the applicant(s) and the affected lending institution(s), and at the request of the applicant(s), the Board will recommend a basis for settlement of the appeal or referral to the applicant(s) and the affected lending institution(s) and if the applicant(s) is willing, the Board will endeavor to secure a loan for the applicant(s).

(2) If the Board concludes on the basis of the appraisal and underwriting policies that an application for a loan was properly denied and the Board determined that the process of seeking modifications in order to procure a loan does not seem feasible or should not be pursued further, the Board will inform the applicant(s) and the affected lending institution(s) of its decision and the reasons for its decision.

(3) If the Board concludes that conditions on the block or in the immediate vicinity of the property to be purchased, improved, or secured by the requested loan form the basis for a denial of an application for a loan or cause adverse terms or conditions for the extension of credit, the Board will bring the conditions and the problems caused to the attention of those public agencies and/or private persons and interests which have the authority and resources to improve the conditions.

(4) The Board will review and decide all appeals within twenty-one (21) working days after receipt of the notice of appeal and supporting documentation.

(b) **COMPLAINTS REGARDING LENDING INSTITUTIONS.** The Board shall review complaints that are brought before it regarding the financing of the purchase or improvement of real estate in accordance with the appraisal and underwriting policies, PROVIDED THAT whenever the applicant(s) in filing a complaint seek a loan pursuant to an application, the complaint shall first be reviewed by the Lenders' Review Board.

(c) **MONITORING AND REPORTING ON DISCLOSURE INFORMATION.** The Board shall:

(1) Monitor disclosure information reported by lending institutions pursuant to the Home Mortgage Disclosure Act of 1975 (89 Stat. 1125; 12 USC § 2801-2809) and any other available information similar thereto, analyze or compile the same, and make such reports as deemed appropriate; and

(2) Present to the Mayor, the City Council, the Lenders' Review Board and participating lending institutions an annual report upon residential lending patterns in Seattle based on the disclosure information monitored by the Board and any other relevant information, including among other matters an analysis and documentation of trends in denials of applications for loans and of variations from the appraisal and underwriting policies. The first report shall be due no later than December 31, 1976.

(d) **REVIEW OF APPLICATIONS TO REGULATORY AGENCIES.** The Board may review and make recommendations to state and federal regulatory agencies on applications filed by lending institutions for issuance of charters, for coverage by deposit insurance, for approval of branch offices, relocation or expansion of offices, for approval of acquisitions and mergers, and for taking other actions that require authorization or consent by such regulatory agencies and may affect the credit available to Seattle neighborhoods, based on:

(1) The lending institution's record in meeting the credit needs of Seattle neighborhoods;

(2) the lending institution's efforts to determine the current and future credit needs of Seattle neighborhoods;

(3) the lending institution's policy and program commitments to meet the current and future credit needs of Seattle neighborhoods; and

(4) the lending institution's

participation in and cooperation with the Lenders' Review Board and cooperation with the Board in fulfilling its duties under this ordinance.

**Section 3. Public Hearings.** In carrying out its duties, the Board may conduct public hearing and accept public testimony. PROVIDED THAT such hearings are conducted in a manner to protect the privacy of loan applicant(s) and prevent unnecessary disclosure of confidential information.

**Section 4. Staff Support.** The City shall provide the Board adequate support for the execution of its duties, including clerical assistance, staff and office supplies through an office or department of City government designated by the Mayor.

**Section 5. Amendment of Appraisal and Underwriting Policies.** The Board may amend the appraisal and underwriting policies employed by the Board, and when such amendments are filed with the City Comptroller they shall have the force and effect of amendments to the appraisal and underwriting policies employed by the Board.

**Section 6. Review of Board.** In accordance with Ordinance 92002, the Board shall submit to the City Council two years after its establishment, or at the discretion of the City Council at an earlier time, a report on the function and activities of the Board, and the report shall be reviewed by the City Council to determine whether the Board should be continued.

**Section 7.** This ordinance shall take effect and be in force thirty days from and after its passage and approval, if approved by the Mayor; otherwise it shall take effect at the time it shall become a law under the provisions of the city charter.

Passed by the City Council the 22nd day of November, 1976 and signed by me in open session in authentication of its passage this 22nd day of November, 1976.

SAM SMITH,  
President of the City Council.

Approved by me this 23rd day of November, 1976.

WES UHLMAN,  
Mayor.

Filed by me this 23rd day of November, 1976.

Attest: E. L. KIDD,  
City Comptroller and  
City Clerk.

(Seal) By W. ANGEVINE,  
Deputy Clerk.

Publication ordered by E. L. KIDD, Comptroller and City Clerk.

Date of Official Publication in the Daily Journal of Commerce, Seattle, November 23, 1976.

(C-696)