

Remarks by
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Comptroller of the Currency
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I'd like to begin by thanking John Taylor for that very kind introduction. John and I have had a long and productive relationship, going back two decades to my time as the Commissioner of Banks for the Commonwealth of Massachusetts. There I was able to see firsthand the important community reinvestment initiatives that John spearheaded. I have great admiration as well for the persistence that John brings to defending the rights of low-income families and minorities. And there is no more able proponent of the need to strengthen the effectiveness of the Community Reinvestment Act.

I am delighted to join you today to share some thoughts about the community development mission that you and the National Community Reinvestment Coalition work so hard to accomplish. The theme of this conference is very fitting—"A Just Economy: Building Prosperity from the Ground Up." I believe that progress in our communities would not happen without your critical day-to-day efforts as agents of change at the local level.

Dorothy Height, a local civil rights activist, lived a life devoted to improving the community. She noted that community service is as important to the giver as the recipient. Serving one's community, she said, is "the way in which we ourselves grow and develop."

By mobilizing resources in service to their communities, financial institutions have surely grown and developed. Since its enactment in 1977, the Community Reinvestment Act has served as a bridge that links financial institutions with community stakeholders. Ensuring that there is a strong connection between the community and financial institutions is the very essence of CRA's purpose. CRA has encouraged national banks and federal savings associations to innovate and serve their customers and their communities better.

CRA makes a measurable difference in our communities. CRA lending to small businesses and farms was over \$209 billion in 2011, and \$82 billion of that amount was in loans to small businesses with revenues of \$1 million or less. In 2011, banks originated nearly \$47 billion in community development loans, with large banks providing 97 percent of these loans.

Despite this record of success, some critics persist in their belief that CRA contributed to the mortgage crisis and the economic downturn, even though numerous studies, including one by NCRC, have independently looked at this issue and determined that CRA was not at fault. In fact, the CRA is a brief statute with a simple directive—regulators must assess a financial institution's record of helping to meet the credit needs of the local communities in which the institution is chartered, but always consistent with the safe and sound operation of the institution. As a regulator we take both elements of that mandate seriously; banks must serve their communities, but they also must do this prudently.

The banking industry and our communities have changed a great deal since 1977, and even since 1995 when the last major rewrite of the CRA regulations occurred.

There have been dramatic changes in banking services and products. Back in the 1970s, a customer went to a bank teller to withdraw or deposit money and sat down with a loan officer to get a mortgage or a consumer loan. Personal credit cards were still a novelty.

Today, ATMs are everywhere and you can deposit a check by snapping a photo of it with your phone. Virtually anywhere in the world an individual can pay with a credit, debit, or prepaid card. Homebuyers can apply for a mortgage on the phone or online; when they choose to apply in person they have the option of sitting down with a loan officer in the office of a mortgage banking affiliate or with a nonbank mortgage broker. Although bank branches remain concentrated in urban and suburban cities and towns, many banks offer services far beyond their branch network. With the plethora of options and new products, consumers and businesses are no longer solely dependent on local financial institutions for deposit services and credit for their personal use or in their business and commercial enterprises.

The CRA statute provides the regulatory agencies with the flexibility to adapt to these changes, and indeed we have done so by periodically revisiting the law and developing regulations and interagency guidance to ensure its continued relevance. In the summer of 2010, recognizing that there have been significant changes in the structure of the banking industry and in the nature of how banks' customers access and use credit and financial products, we started a process to reappraise CRA and to identify "gaps" between these changes and our CRA regulations and guidance. We started by holding hearings in four cities and inviting public comments. NCRC has taken a keen interest in this project and the OCC has carefully listened to your feedback. Your organization

testified at the first hearing in Arlington, Virginia, and NCRC staff has continued to meet with us to provide helpful insights.

The public comment process also generated a wealth of ideas. Some commenters wanted to expand the scope of CRA coverage to include nonbanks or to cover the activities of all bank subsidiaries or affiliates. Many commenters suggested that CRA examinations should place more emphasis on providing bank services and products, rather than on the location of bank branches. Other commenters wanted to give greater CRA consideration to more complex or high impact community development activities, while some suggested that certain types of community development lending and investment were so critical that CRA consideration should be given anywhere that banks provide those activities, even if these loans or investments are made in communities far removed from the institutions themselves.

Some of the commentors' suggestions would require statutory changes or revisions to the CRA regulations. However, it became apparent to us that in a number of areas we could make significant improvements and address the concerns that were being raised by providing clearer guidance in our interpretive Interagency CRA Questions and Answers. Last week the agencies sent to the *Federal Register* a set of proposed revisions to the CRA Questions and Answers, and I'd like to touch on a few of them.

A recurring theme in the public comments was the lack of community development lending and investment in rural areas and small towns. Community organizations have told us that community development needs are not being met in underserved and rural areas. Often we have observed that multiple institutions are competing with one another to find community development projects in cities,

particularly the urban banking centers, while compelling lending and investment needs in less populated areas are going unmet. Some banks have told us that these imbalances stem in part from the lack of clarity in our existing CRA guidance: that they have confined their community development lending and investment activities to their assessment areas, because they can't be certain they will receive CRA consideration for activities outside of their assessment areas.

Our goal in proposing revised guidance is to provide more clarity so that banks will look into more opportunities to lend and make investments in rural and underserved areas in their broader statewide and regional areas. Still, we want to balance that goal against the need for banks to continue meeting community needs in their assessment areas. When evaluating whether banks have achieved this goal, our examiners will carefully consider an institution's performance context, including the community development needs and opportunities in its assessment areas, its business capacity and focus, and its past performance.

We have also made several proposals that provide some greater flexibility for documenting community development investments and services, by relying upon information, such as the receipt of free or reduced meals in schools or Medicaid, to serve as a proxy in determining eligibility for consideration of community development services. In addition, we identified an area where we believe that it is inappropriate to consider the entire amount of a loan or investment, if only investment income will be used for community development purposes.

We believe that the changes we have proposed will improve the administration of CRA and will provide clearer guidance so that bankers can better understand how to meet

their obligations under CRA. However, implementation is a key part of our project plan. When I meet with bankers and community groups, I commonly hear that the existing rules and guidance are not applied consistently and there is a lack of transparency about how they are applied. As the new guidance is adopted, the agencies will revise examination procedures and introduce examiner training, to ensure that the rules will be applied consistently within and among the three agencies.

I want to emphasize that these proposed changes represent the first steps we are taking to address the substantive and significant issues that were raised during the public comment period. The proposed changes are now out for further comment and are due by May 17th. We will continue to work on additional Questions and Answers that address other CRA issues. After the agencies have fully considered the comments we receive on this and other proposals, the agencies plan to republish the amended Questions and Answers in final format.

It is my view that one of the most important issues that we have yet to address is whether banks that draw deposits or engage in significant lending beyond their branch-based assessment areas should have increased CRA responsibilities in these outlying areas. As you can imagine, this is not a simple issue to resolve.

The historical foundation of CRA is that when a bank draws deposits from a community it should bear a responsibility to meet the credit needs of that community. Some have suggested that CRA obligations should be extended to cover all areas where banks are doing a substantial amount of business by making loans or gathering deposits.

When a bank offers loans in extended areas beyond its branch-based network, it *is* bringing credit to those areas. The question is whether lending alone creates a greater

CRA obligation. Today, more often than not, banks rely on securitization, rather than deposits, to fund lending activities. Similarly, some banks gather deposits from areas far beyond their brick and mortar offices. This is a legitimate question that must be addressed in the context of the dramatic changes that have taken place in the banking industry. We must engage in a serious discussion regarding how to define assessment areas and achieve the right balance to ensure that CRA keeps pace with the banking industry that we have today.

Although CRA regulations and guidance have evolved since the 1970s, the basic purpose of the law remains relevant—and never more so as our economy and communities recover from the recession. A recent community tour in the Columbia Heights neighborhood, just north of here, reminded me of the positive impact that CRA partnerships have and how they can transform communities, expand homeownership, and promote job creation and economic development. So it is critical for the OCC to continue working hard to ensure that CRA remains an effective, sustainable tool for community progress.

I have no doubt that NCRC and its members will continue to offer keen insights and suggestions on the proposed guidance and I welcome your input to help guide us as we keep working toward our common goal—improving the effectiveness of the Community Reinvestment Act.

With that, I'd be happy to take your questions.