By Charles Wisniowski

Barry Wides—OCC's Deputy Comptroller for Community Affairs

Barry Wides is the Office of the Comptroller of the Currency's (OCC's) deputy comptroller for community affairs, where he leads a department of community development professionals located in Washington, D.C., and the OCC districts.

The community affairs staff is responsible for outreach to banks and their community partners, the administration of the "Part 24" public welfare investment authority, the development of policy, and the creation and distribution of educational materials on community development issues.

Prior to joining the OCC in 1999, Wides was director of affordable housing sales at Freddie Mac, where he led a nationwide sales team responsible for developing products and strategies to achieve the company's congressionally mandated affordable-housing goals.

He previously served as deputy director of the Resolution Trust Corporation's (RTC's) affordable-housing program. Wides began his career in Washington as a presidential management intern and budget examiner at the Office of Management and Budget (OMB).

Wides is a certified public accountant (CPA), and holds a bachelor of science degree in accounting and an MBA from Indiana University, Bloomington.

Mortgage Banking recently spoke with Wides about OCC's mission and how it is helping to respond to current conditions in the mortgage market.

Q: *Could you give us a brief rundown on the mission of OCC's community affairs division?*

A: Our overall mission is to help banks with their Community Reinvestment Act [CRA], community development and financial literacy programs to help them achieve their objectives; craft those programs; and make them as successful they possibly can [be].

There are a lot of facets to that. Our community affairs officers [are located] across the country—there's 10 of them in our four districts, and then we have a team of 15 people here in Washington, and we do a number of things in pursuit of that effort.

Most importantly, we develop a lot of publications highlighting best practices in the community and economic development arena. Bankers like to hear other bankers tell their stories and hear their successes, and so our *Community Developments* newsletter is our signature publication.

Each issue is tailored to a particular topic. We've done them in the past on mortgage foreclosure-prevention strategies to small-business finance to topics related to reaching the unbanked.

So one strategy is to develop publications and Web resources that will help banks achieve their CRA objectives and to highlight best practices by other banks in that space. We then take that information that we put together out of our various publications . . . and our Web resources, and our community affairs officers then drill down and push this information out to . . . the national banks that we supervise.

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[There are] a couple of ways we do that. Our community affairs officers go on site to the banks and meet with community economic development staff, lending staff and perhaps members of the board of directors, and help them put together a CRA strategy.

We do it on request. We'll offer it in particular to banks that are shifting their CRA rating from one ratings approach to the other. For instance, when a bank goes from below $256 million to above $256 million to roughly $1 billion [in total assets], they are going from a small bank CRA test to what's called an intermediate-small bank [test].

Or a bank that goes from roughly $1 billion to [more than] $1 billion is going from an intermediate-small to a large bank test. So we offer banks a tailored consultation to help them make that transition and help them understand the rules that they'll be governed by under the new CRA standards. We'll do that [for] every bank in advance of them making that transition.

We'll also approach banks that achieve a less-than-satisfactory CRA rating and ask them if they would like us to come out and help them strategize about a plan going forward.

We educate the banks through training. We hold six to eight training [seminars] around the country each year, specifically focused on CRA but also looking at some of the new strategies and techniques that we've written about in some of our publications. And then we hold roundtables and forums.

Another thing we do is serve as a liaison between banks and community-based organizations. These organizations are a source of information to us when we do our CRA exams, to learn what the unmet financing needs in the communities are. We take that information into account when we do our Community Reinvestment Act examinations.

From time to time, a bank may come to our community affairs officers and say, 'We're branching into a new market. We want to partner with some community organizations. Who are the people we might want to partner with?' So to some degree, we serve as liaison between community organizations and banks on a number of different fronts.

We certainly are out there helping banks put together their financial literacy programs. We've put together an enormous amount of information around financial literacy. We'll frequently be called in by banks to help them strategize in developing a financial literacy outreach approach.

Finally, we administer what's called the public welfare investment authority. This is the provision of banking law that allows banks to make equity investments in small business and real estate if the investment primarily promotes the public welfare—which largely means helping communities that are targeted for revitalization (low- and moderate-income communities) or investments that benefit low- and moderate-income persons, or other activities that support community development investments under CRA.

[W]e serve also for the comptroller and the chief counsel as a touchpoint for community organizations that want to express their concerns and interest [in] issues related to national banks—be it on the lending front or on the community and economic development front.

These organizations provide a vehicle to get the comptroller and other senior managers from the OCC out into the communities to see the effects of their work and how they are partnering with banks.

Q: *How has the current mortgage market crisis and foreclosure problems affected OCC and how it normally fulfills its mission?*

A: [A]s it relates to loan modifications and the mortgage situation, we're putting out a lot of guidance right now related to mortgage metrics and ways you can better measure mortgage performance.

We're also trying to [provide incentives to] banks to do the right thing. For instance, we have identified ways that banks can get CRA credit for being involved in partnering with community-based organizations to provide counseling, to provide regulatory guidance when a bank refinances a borrower into a lower-cost loan—[and about when] that refinance might be eligible under CRA.

The Comptroller [of the Currency John C. Dugan] has proposed a regulatory change to CRA that would broaden the types of activities that a bank could engage in [for] CRA credit. It's proposed that maybe we include middle-income areas that have been hit hard by foreclosures in addition to the low- and moderate-income communities that a bank could get CRA credit for [when] providing mortgage-foreclosure relief.

We have a number of high-profile events like the event we held in California a few weeks ago [the symposium entitled, Stabilizing Communities: Addressing the Negative Impacts of Foreclosure] that highlight the ways that banks can be involved in mitigating the effects on communities.

The comptroller has spoken on a number of occasions about the HOPE [NOW Alliance] hotline that is offered through the Homeownership Preservation Foundation in conjunction with NeighborWorks® America. The comptroller sits as a director on NeighborWorks America's board, and is continuing to seek ways to increase use of the hotline and encourage more borrowers to take advantage of workout resources offered through community-based organizations such as NeighborWorks groups across the country.

I mentioned the Public Welfare Investment Authority. We had proposed, and Congress adopted in the housing recovery legislation [H.R. 3221, the Housing and Economic Recovery Act of 2008], a provision that would essentially restore the public welfare investment authority to what existed prior to 2006.

The comptroller early in his term proposed to Congress that we increase the amount of public welfare investments a national bank could make, from 10 [percent] to 15 percent of its capital. Congress in 2006 did increase that to 15 percent of capital, but really for unexplained reasons, narrowed the authority to just activities that benefit low- to moderate-income communities.

[Congress recognized] that a lot of community development investments that banks could make could be in activities such as funds that support community revitalization in areas that have been hard-hit by foreclosures.

The comptroller recommended, and Congress eventually adopted, a provision that would expand that public welfare investment authority back to where it had been previously—which included areas targeted by government agencies for revitalization as well as activities that would qualify under CRA.

Q: *Regarding the Housing and Economic Recovery Act of 2008, what provisions in the new housing bill will most affect OCC-regulated institutions? What do you see as some of the best provisions in that massive piece of legislation that will help bring relief?*

A: This public welfare investment authority is a provision that provides a lot of latitude to banks to make investments. For instance, some of them are being approached by nonprofit groups that are forming funds to buy foreclosed properties.

These properties are in low-income neighborhoods, but they are also in middle-income neighborhoods. So this public welfare investment authority change—which, once again, opens it up to areas targeted for revitalization by governmental agencies—would be an example of the kind of investment that a bank could make to help stabilize a community.

Broadening that authority allows banks to invest in these types of low-income housing and community revitalization funds that are set up to invest in properties that are foreclosed and abandoned. Rehabbing them and renting them out and reselling them are the kinds of funds that banks can invest in under this expanded public welfare investment authority.

Certainly the FHA [Federal Housing Administration] program that allows for the haircut in the refinance is an activity that many of our banks may be engaged in. To the extent that they are refinancing borrowers that are low- and moderate-income, they can get CRA credit for doing that.

There is a provision in [the new housing bill] that expands the tax-exempt bond programs so that states and localities can issue bonds at a slightly below-market interest rate that will allow for [the refinancing] of [financially strapped] borrowers. I expect that banks would be buyers of those bonds as well as participating in the programs to refinance borrowers.

The Low Income Housing Tax Credit [LIHTC] program was enhanced and expanded in the housing recovery bill to modify the alternative minimum tax [AMT], which was limiting some financial institutions' investments in the tax-credit program. By modifying the AMT, it's broadening the base of investors in the tax-credit program.

There's temporary increases in the state ceilings for tax credits, so there will be more tax credits out there. Again, banks are very, very large investors in low-income housing tax credits, and this can help provide a vehicle for banks bringing capital to multifamily housing.

There's $4 billion of CDBG [Community Development Block Grant] money that will go out to states and localities for them to buy foreclosed properties. Banks that are servicing foreclosed properties may find an expanded market of buyers because of that additional money in the bill.

There's $180 million that goes to NeighborWorks America to help them fund community-based organizations that help them counsel borrowers who are having difficulty paying their mortgages.

The Housing Trust Fund was created with the earmark of the earnings from Fannie Mae and Freddie Mac, which will be a resource to help leverage community and economic development programs that the banks may partner with them on.

Q: *In the wake of the Indymac Bank takeover by regulators, as well as other smaller bank takeovers, what can OCC do to assuage nervous lenders that regulators are there to help?*

A: Every lender is a little bit different. I don't know if national banks are nervous about their regulator at this point. I think we've tried to be very clear in terms of our expectations and make those expectations very, very clear to our banks in terms of our written guidance that we've put out over the past few years.

[That guidance has covered a full range of topics] from the commercial real estate guidance that came out in 2005 to the guidance on home-equity lending that came out in 2005 and 2006, as well as the nontraditional mortgage guidance and the subprime guidance, [and] the guidance about workouts and what banks can do under our workout guidelines.

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We've tried to be very clear with our lenders as to what our expectations are. I think [that is one of] the most important things that we can do—so no one has to question what we are expecting of them, because it's all laid out very clearly.

Q: *Given that OCC has been behind a big push to increase* *financial literacy among consumers, would you say that the average customer or mortgage applicant is just as financially literate as in the past? Or are you seeing a decline in the level of basic financial knowledge among consumers?*

A: Unfortunately, there aren't any [of] what the statisticians call longitudinal studies looking at the state of financial literacy over a period of time for us to be able to say [whether] the average consumer [is] more or less financially literate than in the past.

I will say this: There has been a very significant focus on financial literacy for the past several years. In 2003, the FACT Act [the Fair and Accurate Credit Transactions Act] created the Financial Literacy and Education Commission, which is under the auspices of the Treasury Department.

It's [made up of] 20 government agencies coming together to develop a national financial literacy strategy, which is updated annually and for which there are a lot of action items being undertaken by a lot of agencies—including the OCC.

Some of the agencies that are part of the Financial Literacy and Education Commission are the FDIC [Federal Deposit Insurance Corporation] and NeighborWorks [America].

The FDIC has a program called Money Smart, and they've looked at the effectiveness of Money Smart. They've found that consumers that go through a Money Smart program are in fact benefiting from it on a lot of fronts. They are saving more money; they're sticking with budgets. They have quantitative data to support that.

NeighborWorks has done studies that show that borrowers who go through face-to-face financial counseling with a NeighborWorks organization [come out as] much more default-resistant borrowers than borrowers who haven't been counseled. So we have seen the positive effects of financial literacy initiatives . . . but I can't say to you that the population as a whole is more or less [financially] literate than in the past.

One thing that we have done that is really quite exciting is the OCC's Help With My Bank Web site. That is a site that we just launched last year that has really been quite popular with consumers. I'll call this "just-in-time" financial literacy.

This is a Web site that we maintain and update almost on a daily basis that has answers to over 250 commonly asked questions that consumers have in dealing with their banks.

If you go to the OCC's Help With My Bank Web site [www.helpwithmybank.gov], there are very specific instructions for consumers about what deposit insurance is, how much of their deposits are covered by deposit insurance, [and] what to do if they have more than the deposit insurance limit in terms of a way they can structure their accounts to stay within the deposit insurance limit. [There are] 250 topics just like that, and we're constantly adding to that based on calls we get to our customer-assistance group that consumers can call if they are not able to resolve [a problem] with their banks.

We've been involved with a lot of different initiatives related to financial literacy. Our piece of that puzzle is having the resources available for consumers when they need it on topics that are pretty much [all over] the waterfront. **MB**

Charles Wisniowski is a correspondent for *Mortgage Banking.*

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