NR 99-6
January 28, 1999

Remarks by
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before the
Third Annual Race and Relations Conference
The Louisville and Jefferson County Human Relations Commission
Louisville, Kentucky
January 28, 1999

It's a pleasure to be here in one of the region's friendliest cities -- and, historically, among its most progressive. Louisville has long embraced policies that promote and protect fairness in everything from public accommodations to employment to the sale and rental of housing. This Commission -- and this conference -- reflect your city's leadership in making the goals of social justice and racial harmony a living reality.

The Office of the Comptroller of the Currency, known as the OCC, has also had a longstanding commitment to equal opportunity, in the form of a financial system that is accessible to all Americans. This was a part of the charge we received from Abraham Lincoln when the OCC was created as our nation's first regulatory agency back in 1863. Lincoln, the son of one cash-poor farmer and neighbor of many others in an unbanked community, understood from personal experience that the absence of financial services could be a formidable impediment to economic growth and opportunity. Since his time -- and especially in recent decades -- we at the OCC have worked hard to fulfill Lincoln's vision of a banking system that meets the financial needs of all of America's citizens, communities, and businesses, small and large.

We need not go back to Lincoln's time to understand the damage that can be done when those needs go unmet. Neighborhoods deprived of financial services and investment are neighborhoods in decline and distress. People who, through no fault of their own, are unable to secure reasonably-priced financing to buy a home, start a small business, or pay for higher education, are people whose talents, initiative, and faith may be lost to us forever -- a loss potentially as grievous for our society and economy as for the individuals themselves. -more- That is why the OCC has vigorously reaffirmed its commitment to ensuring that the national banking system is responsive to the full diversity of our financial needs. It's not only part of our original mission, but also -- as I'll explain later -- good business for banks today.

The Community Reinvestment Act is a very important part of this effort. As your program notes, CRA is an increasingly valuable tool for those dedicated to rebuilding America's communities. But that has not always been the case throughout CRA's 20-year history. At the outset and for many years thereafter, bankers and community activists were united by little more than the common conclusion that CRA didn't work. Today these same groups are united, instead, in economic development initiatives that are making a big difference in the lives of our people -- projects that have already pumped billions of new private-sector dollars into affordable housing, community development projects, and small businesses. CRA lending and investments have underwritten the expansion of African-American churches in Brooklyn, New York, the renovation of a 100-unit apartment complex in a disadvantaged neighborhood of my hometown of Washington, D.C., the provision of much-needed retail services in the Roxbury section of Boston, and the strengthening of small businesses through the Enterprise Development Center right here in Louisville.

So we can point with pride to the remarkable transformation of CRA from its troubled -- and many would say ineffective -- past into a more powerful and focused instrument for community renewal and expanded banking markets.

But how do we explain this transformation? I would like to think that sensible, responsive regulation has been a factor. In 1993, after evaluating literally thousands of public comments and holding dozens of public hearings, the OCC, along with the other federal banking agencies, implemented a comprehensive reform of the CRA regulations. We went through the CRA rules and tossed out dozens of provisions that simply had generated paperwork and administrative headaches for financial institutions. As a result, funds that would otherwise have been expended on the mechanics of compliance have become available for strengthening communities. When OCC examiners now visit a national bank to conduct a CRA exam, they focus not on the number of meetings it has held or the advertising copy it produces, but on the dollar value of the loans and investments it has actually made in its communities.

The revised regulation itself is still very much a work in progress. We continually reevaluate it in light both of our examination experiences and the public comments we receive. Such flexibility is critical in light of the rapid changes, structural and technological, currently taking place in the banking business -- changes that have significant CRA implications. For example, what kinds of new bank products qualify for community development consideration under CRA? And how do we define an institution's assessment area for CRA purposes? This was a relatively simple question when banks conducted all of their business out of brick and mortar offices. But it's not so simple when banks make loans or gather deposits over the Internet, as increasing numbers of them do.

Furthermore, we are keenly aware of the concerns that you and others may have over the trend toward consolidation in the banking business. This trend reached new heights in 1998, with the announcement of one big bank merger after another -- mergers that raise many important questions about the future of financial services in our country. What will the impact of so-called mega-mergers be on the communities served by the merging institutions? Will the loss of local ownership lead to a reduction in the local availability of financial services? Will a bank's commitment to the community suffer when its headquarters -- and most of its staff -- operate somewhere else? And will -more- these giant financial institutions turn a deaf ear to the needs of small borrowers and retail customers and choose to focus their energies on customers of a size comparable to their own?

We will be watching closely to see what results actually come from these megamergers. For now, at least, there is some reason for optimism. The consolidation of financial institutions announced in the past year has led to announcements of significant new community lending and investment programs by the merging banks. For example, last year NationsBank and Bank of America announced a plan to make $180 billion in small business loans over a ten year period.

We are also working with the other banking regulatory agencies to clarify new issues that continue to crop up in connection with CRA implementation. To that end, we will soon publish a revised set of questions and answers on various aspects of CRA -- questions gleaned from our own compliance exams, from the institutions we regulate, and from groups and individuals such as yourselves. The issues covered range from the technical to the prosaic -- from offering new working definitions of "affordable housing" and "community development" to addressing the question of how examiners are to account for CRA loans when the borrower's address is a post office box. Do renewals and refinancings count toward CRA credit the same as the original loans? What about multiple originations to the same eligible business? And, in recognition of the link between economic opportunities and community development, shouldn't a bank's small business contracting program warrant CRA recognition when it is linked to the same bank's small business lending program?

The proposed answers to these often technical questions hardly qualify as light reading. But I believe that they provide important insight into the underlying philosophy and the practical complexities of administering CRA today -- insight that should be of value to everyone with an interest in the economic redevelopment of America.

Cooperation and understanding. Mutual self-interest and partnerships. Innovation and performance. These are perhaps not the chords you might expect a government regulator to strike. But they are the principles and imperatives that I think are most important about how we administer the CRA today and those that are critical if we are to achieve success.

And this, to me, may be the most significant change that has taken place in moving from the old CRA regime to the new. Although we have refined the process of CRA in the ways I have already mentioned, it is the new philosophy behind the regulation that is likely to have the greatest and most lasting positive impact on our communities and our country. It is a philosophy based on our evolving, dynamic, competitive markets and on contributions of the information revolution. In banking and elsewhere throughout our economy, business people are recognizing and capitalizing on opportunities previously blocked by old habits and stereotypes.

It used to be that bankers could afford to stick to the status quo because their traditional business was thriving. But today, bankers have little choice but to be more creative in seeking out new customers and new markets. The financial world has changed.

Increasingly, conventional business borrowers tap the capital markets to obtain financing. Bankers face relentless competition for commercial and industrial loans, competition that yields increasing risk and diminishing returns for their traditional lending business. Middle and upper income consumers by the millions have abandoned their banks for the products of Wall Street. Foreign-owned banks proliferate on our -more- shores. Of necessity, then, bankers, aided by new information technology, are taking a fresh look at long-slighted markets -- which are in fact solid growth markets -- for consumer loans, affordable mortgages, small business financing, and community development.

You and your communities need financial services. More than ever before, those whose business it is to provide those services also need you. And they are acting on it. The possibilities for profitable partnerships between America's bankers and our communities have never been more promising.

With this shift in business orientation has come a subtle but meaningful shift in the proper role of government. First, let me assure you that, whatever else we do, we will never stop working to identify and eradicate market irrationalities and injustices, such as discrimination based on race, gender, or other illegal considerations, as long as such practices exist. And today, we see these issues manifested in more complex and subtle forms than outright discriminatory practices. That is why, just last month, we revised our fair lending examination procedures to include new procedures specifically directed to steering, redlining, and discrimination in commercial lending, as well as in the underwriting and pricing of loan products. And, as always, when we are able to substantiate abuses, we will bring them to the attention of the Department of Justice for prosecution.

But the emerging model for bank regulation increasingly involves the removal of obstacles that interfere with the efficient operation of the marketplace. And, increasingly, we are reaching out to serve as facilitators between financial providers and consumers to help both parties bridge longstanding gulfs of misunderstanding, misinformation, and mistrust, to help them to recognize the mutually beneficial relationships that are possible for them.

One area in which we have devoted considerable effort -- and, I believe, done considerable good -- is in the field of small business lending. Nothing is more crucial to our nation's continued economic vitality and opportunity than the health of its small business sector --- the source of innovation and employment for millions of Americans. And there is no place where innovation and employment is more needed than in our disadvantaged communities.

Unfortunately, small business formation has lagged in the very places where we need it most. For example, African-Americans continue to be underrepresented in the business population. And the businesses they do own generate lower revenues and profits and employ fewer people than the average small business. That's because black-owned businesses are underrepresented among the most capital-intensive -- and remunerative -- segments of the business economy: construction, finance and insurance, wholesaling and manufacturing. One crucial element, then, of our national strategy to improve our neediest communities must be to support initiatives that provide needed credit access and equity for minority small businesses.

The financial regulatory agencies have addressed this need in various ways. For example, we have used CRA to help us collect small business loan origination data, to enable us to track our progress and identify areas requiring special attention. And, in keeping with our new emphasis on outreach and education, more than a year ago the OCC launched a project we call Banking on Minority Business -- a project designed to bring bankers and minority small business people together, to help close the communications gap that so long kept them apart, and to develop and exchange ideas that can make small business partnerships work. Hundreds of national bankers, minority small business owners and people who aspire to that status, and business development officials have attended these meetings in cities across the country. Many mutually profitable -more- relationships have been formed as a result.

We look forward to continuing to help break down barriers to mutually beneficial private and public sector partnerships to bring a better future within reach for more Americans. I hope it will be possible to come back to Louisville soon and have one of our banker/community group outreach meetings here.

I began by talking about Abraham Lincoln and the special significance he has for the OCC. The dilemma of race was the central preoccupation of Lincoln's life. As president, he led this nation into a bloody civil war to resolve it. Yet Lincoln understood that true equality could not be achieved through force of arms. He understood that economic opportunity was the key to building a truly color blind society. That was why he created the national banking system. We at the OCC continue to honor his charge.

Lincoln put us on the path we walk today. We have some distance to go before we achieve his vision -- the same vision that inspires your work here in Louisville.

Thank you

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