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Contact: Robert M. Garsson (202) 874-5770
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Comptroller Hawke Urges Increased Action, Education
To Combat Predatory Lending

WASHINGTON -- Comptroller of the Currency John D. Hawke, Jr. said today that while regulators should use all available resources against predatory lenders, it is equally important that supervisory agencies, community groups and responsible lenders attack the problem at its roots.

"We must target not just the predators themselves, but the conditions that allow them to flourish," he said in a speech to the National Community Reinvestment Coalition. "That means encouraging responsible competition in the same markets in which the predators operate. It means helping low- and moderate-income Americans to gain a better understanding of their financial obligations and options."

Mr. Hawke said that consumer education and access to mainstream financial institutions are crucial. However, he noted that some 13 million Americans do not have an account at an insured financial institution, in part because conventional checking accounts are too expensive for many people and in part because bank branches can be hard to find in low-income neighborhoods.

Mr. Hawke said that regulators must encourage banks to return to low- and moderate-income neighborhoods. Bank that have followed some basic guidelines have enjoyed considerable success in such markets, he added.

"Success in low- and moderate-income markets takes patience and understanding, and it takes a well-conceived plan to tailor services to the specific needs of low- and moderate-income customers," he said.

To succeed in such markets, bankers should offer a range of products and services; take full advantage of technology in delivering services; make a commitment to the community; and set a long term goal of migrating marginal customers to full-service status.

"Banks that have done those things right have been amply rewarded for it," he said. "Some are making money now; all expect to do so in the future. And they're making a real difference in their communities."

At the same time, Mr. Hawke said, the Office of the Comptroller of the Currency is exploring ways to take effective action within the limits of current law.

"We are exploring whether we can initiate cease-and-desist actions against banks on a case-by-case basis, challenging specific conduct that we might be able to characterize as unfair and deceptive," Mr. Hawke said.

In the course of fair lending exams, the OCC looks for pricing differences based on race or other prohibited bases and investigates further when possible violations are indicated. If discrimination is found, the OCC will make a referral to the Department of Justice.

"To heighten our examiners' awareness of the fact that a predatory lending

environment presents a high level of risk for discrimination, we will be issuing an advisory to examiners that instructs them to be on the alert for patterns of predatory lending so that we can follow up appropriately through the examination process," he added.

The OCC charters, regulates and examines approximately 2,400 national banks and 58 federal branches and agencies of foreign banks in the United States, accounting for 57 percent of the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.□