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Remarks by
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Thank you, and good morning to everyone. I'm delighted to be here in North Carolina today to talk about community reinvestment and the challenge of bringing new opportunities to families and businesses in cities, towns, and rural communities throughout this great state and our great nation.

North Carolina's greatness comes from its cultural and economic diversity, its rich history and interesting legends, and the many inspiring native sons and daughters who have called this state home. From household names like Michael Jordan to less widely known leaders such as Irv Henderson, North Carolinians live up to the state's motto -- to be rather than seem. North Carolinians focus -- not on perception -- but on reality.

While Nike will probably never give Irv his own shoe or plaster his face on a t-shirt, Irv is a local hero in a league of his own. It is one thing to seem committed to community reinvestment, and it is quite another thing to actually do something about it . . . to be a visionary, tireless leader whose advice and counsel is valued like few others . . . to do all it takes to make community reinvestment a reality that is changing lives and creating opportunities for families and neighborhoods.

This morning, I'd like us to consider what it takes to make continued progress in community reinvestment a reality in 1996 and the years to come.

First and foremost, it takes teamwork -- strong, broad-based partnerships that meld together a variety of talents, perspectives and insights to create a winning environment. Michael Jordan -- as great a ballplayer as he is -- didn't win an NBA championship until he had a solid team around him.

Similarly, strengthening neighborhoods requires the collective strengths of community groups, business leaders, government, religious and social organizations and families. Irv and other visionary leaders like him around the country know that vibrant partnerships are the key to successful and lasting community development. I know that is one of Irv's hopes for this conference -- to create a winning team here in North Carolina by forging partnerships across the state to serve both your urban and rural communities.

As Comptroller of the Currency, I have had the opportunity to see the power that partnerships have to transform communities and increase the quality of life in neighborhoods. All across the United States, community development partnerships are fueling innovation, generating excitement and producing results in ways unimagined a decade ago.

Out in the heartland, in Kansas City, banks are working with local schools, politicians and clergy to create an Academy of Finance to give young people skills in managing money and establishing solid credit reputations. Not only do efforts like these create future bank customers and generate demand for products and services, they are also basic building blocks to participation in our free enterprise economy.

Out in Los Angeles, in neighborhoods that bore the brunt of urban rioting just a few years ago, partnerships between banks and community groups are bringing renewed hope and access to much-needed financial services. Last month, I had the pleasure of participating in the opening of a state-of-the-art banking center in South Central L.A. that makes the latest in bank technology available to urban residents. The Operation Hope Banking Center -- and the partnership that makes it possible -- help ensure that residents of South Central are not left in the wake of the technological changes sweeping through the financial services industry.

I've also seen the power of partnerships up in Detroit, where I recently announced revised regulations that will make it easier for banks to invest in empowerment zones and other community development activities. That historic city is home to one of the most successful bank consortia in the country, a consortium that has made a $1 billion commitment to lend in Detroit's empowerment zone over the next ten years. I toured the empowerment zone with bankers and other business leaders and talked to residents who are in quality homes today because the mayor, private developers, churches and lending institutions have worked in harmony. Our bus tour culminated with a ribbon-cutting ceremony at a minority-owned business in the enterprise zone that is expanding its operation to serve more customers and employ more residents of the surrounding neighborhood.

And just a few weeks ago, here in North Carolina, the Community Reinvestment Association and First Union joined forces to in a comprehensive program that will reach out to the state's emerging Hispanic market, provide services such as homeownership counseling, business counseling and credit workshops, and -- like in Kansas City -- provide education to promote savings and financial literacy among schoolchildren. As Irv knows, and Mac Everett said at the time, not only is this initiative the right thing to do, it creates excellent business opportunities whose benefits will be felt throughout your state for years to come.

At the OCC, we've also seen the value of community partners in the examination process. Our examiners -- and those of the other regulatory agencies -- have logged thousands of community contacts in the past two years alone. These contacts are critical for us to understand community needs and the roles national banks can play in responding to these needs. To enhance our ability to reach out to community partners, the OCC is developing a national database of community organizations. We will begin to populate this database with information gleaned from the thousands of contacts the OCC and other banking agencies have made these past two years. In addition, by the end of the year, we will provide on our Worldwide Web site an electronic form that community groups can use to register their organization. This form will let them tell us who they are and their community development interests. This information will be invaluable both to our compliance examiners and to our new team of community development specialists as they seek to create even more partnerships between banks and community-based organizations.

Partnerships are indeed powerful, and they are making things happen in communities all over the country: ribbon-cuttings, new homes, hundreds of millions of dollars of lending commitments.

The groundwork for these kinds of partnerships and achievements was laid back in 1977. When the Community Reinvestment Act became law, many institutions responded to the challenge to serve the credit needs of their communities -- including low- and moderate-income neighborhoods. Banks carved out new market niches for themselves. They created new opportunities for their customers. But over the years, CRA became a law that others in the industry loved to hate. Some because they felt serving community credit needs didn't require government action. Most because they found the CRA regulations didn't have the proper focus.

Those CRA regulations put all the emphasis on the paperwork banks assembled to make it appear they were doing the job. Often lost in the cumbersome process was what banks were actually doing to serve their markets. The regulations were burdensome, inefficient and, in many cases, actually counterproductive, because banks -- to satisfy the regulators -- deployed precious resources in ways that helped neither their communities nor their bottom lines. Clearly, what was needed was a CRA rule that measured what banks actually accomplished, rather than whether they appeared to be doing the job. Having a CRA rule like that, I believed, not only would better measure bank performance but would serve as a catalyst for even stronger partnerships and greater accomplishments.

We now have that rule. We got there by one of the most open rulemakings in history. We held six public hearings across the country -- including one right here in North Carolina. We heard from more than 300 witnesses and read over 7,000 comment letters from bankers and community groups. And we achieved our goal -- a new CRA regulation that measures performance and promotes partnerships, by involving the public earlier in the examination process and giving banks the option to develop a CRA strategic plan together with their communities.

During this reform effort, an interesting thing happened. Even though the actual regulation did not go into effect for small banks until January of this year -- and won't be effective for all large banks until July of 1997 -- bank performance improved markedly. You can see it in the numbers. Home Mortgage Disclosure Act data show unprecedented growth in mortgage loans to minority borrowers and residents of low- and moderate-income communities. Between 1993 and 1994 alone, there was a 27 percent increase in conventional home purchase loans to low-income households nationwide. And loans to African-American families around the country rose 55 percent during those years, with mortgages made to Hispanic families jumping 42 percent -- figures that are even more impressive when you consider that the market as a whole was growing at about 18 percent. The most recent data show that this improvement continued throughout 1995 for African-American and Hispanic mortgage applicants.

In North Carolina, loans to minority families have increased 146 percent since 1992 -- nearly double the rate for the market as a whole. The efforts of this region's bankers over the past four years have enabled over 21,000 low- or moderate-income families in the Raleigh-Durham area to buy homes of their own -- 21,000 families who have a roof over their head today because the banking industry in North Carolina has made a genuine commitment to action.

Today, to keep this momentum going, we are continuing to make the new CRA regulation as effective as possible.

Any transition raises a lot of questions and generates a lot of uncertainty. All of us in the regulatory community realize that we have an obligation to make the transition to the new CRA rule as smooth as possible. That is why all the regulators have worked together over the past 18 months to respond to questions about the new rule and to clarify how it will be implemented. We have made public new performance-based examination procedures. We have also provided instructions on how banks can partner with their communities to prepare CRA strategic plans, and we've issued interpretive opinions highlighting opportunities to perform under the new rule. Further, we have issued a document clarifying how banks should collect and report the data on small business lending that our new rule requires them to disclose for the first time.

Now, to make it easier for bankers and community groups to find answers to their questions, the regulators have completed a comprehensive set of interagency Questions and Answers that bring together the guidelines and interpretations made to date into a single resource. They will be published in the Federal Register within the next few days, and the OCC will then post these Q and As on our Worldwide Web home page, with hypertext links to the CRA regulation.

Let me give you just a flavor of the comprehensiveness and clarity this Q and A document will provide.

One of the questions that has come up is whether the rule gives favorable consideration only for community development activities that meet economic development needs. The answer is no -- community development activities also include loans, services, and investments that support community-based child care, educational, health or social services for low- and moderate-income persons, affordable housing, and activities that revitalize or stabilize low- or moderate-income neighborhoods.

That last point leads to another question -- does every loan in a low- to moderate-income neighborhood have a community development purpose? Here again, the answer is no. A loan for upper-income housing in a distressed area is not considered to have a community development purpose simply because it creates temporary construction jobs or increases the local tax base. To have a community development purpose, a loan must have a true and lasting impact on low- and moderate-income families or communities. For example, a loan for an anchor business in a distressed area that employs and serves residents of the community does have a community development purpose.

Another question that we have heard since we released the new rule is whether or not charitable contributions or grants to Community Development Corporations and community-based organizations will receive favorable consideration under the investment test. I am not sure where the confusion may have come from, but I want you to know that a charitable grant will not be disqualified simply because it can be written off as a tax deduction for banks.

These are just a few examples of what is included in the inter-agency Q/As, but I think they demonstrate that the federal bank regulators are committed to making performance-based CRA regulations work for all of us -- banks, communities, and regulators alike.

For all we've seen accomplished so far, I believe it's just been the tip of the iceberg. We will continue to see constant innovation and experimentation in community development. But we must also keep a keen eye on the fundamentals -- fundamentals like effectively managing properties and providing families and businesses effective counseling, soundly underwriting loans and servicing the obligations. We must keep a constant focus on credit quality -- and we all have roles to play in ensuring and maintaining superior credit quality.

Striking the proper balance between innovation and fundamentals is a challenge, but one that the nation's banking industry has responded to again and again throughout our history. Throughout the 20th century, we've seen what I call the democratization of credit as the industry continually finds ways to bring new products and customers into their sphere of service -- products such as home mortgages, auto lending or consumer credit that at one time were overlooked or deemed too risky to be profitable.

Today, at the dawn of the 21st century, the banking industry must expand its vision once again and think more broadly about where profitable opportunities might exist. The industry faces not just the question of how to provide access to credit for underserved individuals and communities, but the challenge of bringing access to the array of financial services that today's consumers -- of all incomes and backgrounds -- need to participate in the mainstream economy and move up the ladder of economic progress. I'm talking about the challenge of reaching out to the 12 million American households that do not have any relationship with a financial institution and are missing out on the opportunity, for example, to use bank accounts to make their hard-earned dollars stretch further or receive the financial advice that can be a springboard to a better life.

The question of how to bring these 12 million households into the economic mainstream is a top priority of the Treasury Department and the OCC. That is why I recently announced that the OCC will no longer charge application fees for new bank charters or new branches in low- and moderate-income areas that are not currently served by banks or thrifts. And that is why we'll be working with the banking industry to explore ways to use technology and other innovative approaches to broaden access to financial services for all Americans. This winter we will convene an educational forum, bringing together banking and technology leaders, social scientists and consumer representatives, all united to bring financial services to today's underserved and unserved American families in a way that is both profitable and responsible.

Conclusion

We have learned a great deal about what it takes to create new economic development opportunities and turn around communities, and conferences like these further expand our knowledge. Clearly, one of the key lessons all of us realize today is that success -- in any endeavor, but particularly in community development -- requires a broad range of perspectives and skills.

Success requires the advocacy and insight of community organizations, the marketing skills and financial experience of bankers, and the commitment of bank and thrift regulators as well as local and state government. But perhaps most important, success requires the determination of all of us -- as partners -- to be rather than merely seem. That is a motto that should challenge community development leaders here in North Carolina, in Detroit, Los Angeles, Kansas City and all throughout our nation.

I'm confident that the Community Reinvestment Association of North Carolina -- under the direction of Irv Henderson and Andrew Foster -- will continue to be leaders in community reinvestment. I applaud your efforts to continue to provide the partnerships and the innovation necessary to move community reinvestment forward.

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The OCC charters, regulates and supervises approximately 2,800 national banks and 66 federal branches and agencies of foreign banks in the U.S., accounting for more than half 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.