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Remarks by

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Abraham Lincoln was a great president but sometimes a poor prophet. At Gettysburg, in what is universally viewed as the finest speech ever delivered on American soil, he predicted that "the world will little note nor long remember what we say here." How wrong he was! But Lincoln's characteristic modesty where his own gifts were concerned, I think, reflects a universal tendency to undervalue the importance of our own lives and times -- to mistakenly conclude that because so much of what we do is routine and mundane, little of it will matter to future generations. It is all too easy to forget that change need not be violent or abrupt to have significant -- or even revolutionary -- impact.

Just such a revolution has been quietly unfolding during our time. The effects of major steps forward in what I like to refer to as the democratization of financial services have made the benefits of financial services available to entirely new segments of our society. In 1776, only the very wealthy had access to the few financial institutions available. Even a century later, there were many more banks, but law and custom still limited their ability to serve the needs of ordinary citizens. Indeed, until 1913, national banks were actually prohibited from making mortgage loans for homes and farms. Then, beginning in the 1920s, bankers began to discover business opportunities in the retail market for loans and other bank services. And since the end of World War II, meeting consumers' financial needs has become a robust part of banking business.

But it was only recently -- really within the last several years -- that this

democratization process has come to embrace low- and moderate-income Americans. Today, for millions of our fellow citizens, particularly low- and moderate-income Americans, this democratization process -- this improved access to credit and other financial services -- has truly brought home the promise of the American dream for the first time. It has enabled renters to become homeowners; it has made it possible for thinkers and doers with the germ of an idea to turn that idea into a small business and build it into something even bigger. It has enabled us to work toward the renewal of our aging communities, so mean streets could be restored to main streets. It has put us on the right path -- the path of economic opportunity -- to resolving some of the social, racial, and ethnic differences of our past.

The financial history of the twentieth century will soon be written, and when it is, I believe it will show that these last few years have been truly noteworthy ones in advancing access to financial services. One area in which we have seen particular progress is in loans to would-be homeowners. The numbers are impressive. Between 1993 and 1996, home purchase loans to borrowers in low and moderate income areas have risen 33 percent, or about one and a half times as fast as home purchase loans in upper income neighborhoods. In the same period, mortgage originations to Hispanic Americans and African Americans have risen 56 percent and 53 percent, respectively.

Of course, people are more than percentages. They are individuals, with hopes and dreams for themselves and their families. So consider this: if home purchase loans to minority groups had increased no faster than the growth in these loans to all borrowers, roughly 190,000 conventional home purchase loans to minorities -- representing more than \$16 billion in loans -- would not have been made between 1993 and 1996. That means 190,000 American families -- about 800,000 people -- would not have known the security and inner satisfaction that comes from home ownership. It means that hundreds of American communities would have been deprived of the greater permanence and stability that home owners bring to their neighborhoods.

Financial democratization is hardly limited to home mortgage lending. Working

together, we have also made important strides in bringing banking services to previously underserved communities and in understanding why some populations either go elsewhere to obtain financial services or do without them. For example, on the Navajo reservation in 1994, there were three bank branches. Today there are 12. In 1994, the Navajos had two ATMs. Today they have 14. Regulatory initiative helped to highlight the Navajos' unmet financial needs, but it was a business decision -- and a good one -- on the bankers' part to respond aggressively to that challenge. Today, the Navajo branches are highly profitable -- for the bankers as well as for the Navajos, who have benefitted from an array of new mortgage and small business loan programs and easier access to deposit and other banking services. And, importantly, such an example speaks for dozens more in communities across the nation.

Community development banks and loan consortia have been developed across the country, and new products and services are being steadily rolled out: low down-payment mortgage programs; second-look mortgage and commercial loan programs; housing counseling programs; home repair forums for first-time homeowners; small business loans based on cash flow rather than collateral; and microfinance programs for entrepreneurial endeavors. Just last week in San Diego, I attended the opening ceremonies for the first de novo community development bank ever chartered by the OCC -- an event that would never have taken place had other national banks not stepped up to the plate and made public-welfare equity investments in the new institution. This is but one example of the exciting developments in community lending and investing that are transforming our nation's landscape. There are many others -- an equity investment bank for low-income small businesses, retail branches in churches and high schools, and innovative and specialized loan funds and development banks organized by local community organizations.

We're where we are today -- a step further along on our journey toward full

access to financial services, but still some considerable distance from the finish line -- because you and other bankers and community leaders like you -- have been willing to invest and become fully committed partners in continuing efforts to reach our goal. We're where we are because community leaders like you and others who have talked with you this week -- for example, Mayor Morial -- recognized that through partnerships with the financial sector can come economic empowerment for the communities they serve. The language of indifference and confrontation has been replaced by the spirit of cooperation and mutual self-interest.

You are indeed the heroes of this generation's democratization of credit story. And from your efforts, we have learned important lessons. We have learned that the cause of community development and economic revitalization advances best when it advances simultaneously on many fronts. We have learned, for example, that the community development strategy that focuses solely on housing and expanded home ownership may not produce the same positive and sustainable results as the more comprehensive strategy that also targets small business growth and neighborhood employment opportunities. We have also learned that development loans, investments and strategies that target a specific neighborhood work better than a scattershot approach to lending over a broader community.

We have come to understand the relationship between financial education and financial success. Increasingly, we are finding that the most successful loan programs in the housing and small business markets are those that include a counseling and technical assistance component. The work that goes on behind the scenes in a makeshift classroom, teaching the fundamentals of budgeting or homeowner preparedness, might not be glamorous or dramatic, but it can make the difference between a successful loan and a not-so successful one -- between a dream fulfilled and a dream denied.

We have also learned that the Community Reinvestment Act can be made to work. We have learned that by focusing our CRA efforts on results and not paperwork,

we can reduce burden and increase access to financial services. Our new CRA regulations are predicated on the belief that one size does not fit all; that different communities have different needs, and that creative people ought to be encouraged and rewarded for developing their own approaches to meeting those needs.

Yes, we have made remarkable progress in community development lending and investments -- progress that is all the more noteworthy because it has not come easily. Moreover, this progress is almost universally acknowledged. The question now being debated in many circles is not whether this progress has occurred but rather whether this progress -- this democratization of financial services can advance further in the future. I for one believe strongly that it can advance -- if we focus our attention on three critical factors.

First, we need to obtain the facts, face up to what they tell us, and -- where we can -- respond to what they tell us with creativity and innovation. For example, the fact is that a few affordable housing lending programs apparently have higher than normal delinquency rates. Some have said that these higher delinquency rates mean that aggressive lending programs for low- and moderate-income home buyers are not sustainable over any length of time. On the other hand, some have said that we should disregard these delinquencies and, in effect, look the other way.

To me, neither approach is acceptable. The nay sayers would deny progress without closely examining the entire picture. And those who would close their eyes to any problems would place at risk the very opportunities for credit we seek to expand. There is a better course. By carefully examining those programs where we do have higher than normal delinquencies, I believe we have an opportunity to learn a number of important lessons, two of which are already apparent.

Lesson number one -- even in the most aggressive programs with the highest delinquency rates, more than nine out of ten borrowers are paying in full on

time. They have demonstrated they are good credit risks, and were it not for these programs, these borrowers would have been denied access to credit.

Lesson number two -- from borrowers who have been delinquent, we have learned there are steps banks can take to lower delinquency rates. Credit counseling programs can have an impact. So can stable and early intervention servicing arrangements. It's also important to work with first-time home buyers to secure a financial cushion through insurance or some other mechanism so that borrowers have the wherewithal to deal with unanticipated problems, such as a furnace breakdown, a leaky roof, or a fire.

Certainly there are other lessons we can learn from studying the results of affordable lending programs -- even those where delinquencies appear to be higher than normal. The key point is to learn from these results -- not to use them as a justification for suspending efforts to reach previously underserved populations. They must not be an excuse for throwing the baby out with the bath water.

The second critical factor in sustaining community development lending performance into the future, I believe, is gaining a greater commitment on the part of government at all levels to innovation in community development finance. The fact is our public resources are scarce. We simply cannot afford to miss opportunities to better leverage these resources and target them to support the leading edge of innovation among private sector lenders. Further, the best efforts of private sector lenders will fall flat if local governments fail to do their best to keep the streets clean, the lights on -- and to make certain that communities on the way back are reliably supported by essential public services, including safe and effective schools. Fortunately, we have a new breed of creative and strong leaders in local government who are setting an example in this area. From Mayor Morial here in New Orleans to Mayor White in Cleveland and Mayor Archer in Detroit we have learned new lessons in how to marshal local resources, energize whole cities, and set a

clear revitalization course for business, banking, and for-profit and non-profit development communities.

The third important factor that will affect our ability to advance the democratization of financial services in the future involves, on the one hand, finding new ways to expand access to financial services and promoting asset building for low- and moderate-income groups, and on the other hand, doing more in financial education and counseling for those not currently served by the banking system. Both these elements have a direct impact on the ability of low- and moderate-income individuals to become full participants in the financial services system.

Finding opportunities to further asset building and expanding access to financial services will require us to be much more creative in our thinking.

I believe much can be done in this area -- indeed, it may be the next frontier in the democratization process. It's only common sense that, if we can create profitable branches in Navajo country where there were virtually none in 1990, we can create profitable financial service delivery systems in other low- and moderate-income communities. If these delivery systems are to succeed, they will have to be innovative, just as successful community development lending reflects innovations that are outside the box of traditional lending. For example, these delivery systems will have to be community based and reflect the linguistic and cultural needs of local communities. And they may not look like traditional bank branches or ATMs. Similarly, successful financial education and counseling will require more creative thinking about the economic background and culture of those who meet their financial needs outside the economic mainstream of our society.

You might conclude from what I have said so far that I am pretty optimistic about the future. By and large, you would be right. You might also conclude that the historical process of expanding access to financial services is by now well nigh unstoppable. After all, it was none other than Lincoln who, in 1856, assured an Indiana audience that "revolutions do not go backward." But we have already alluded to Lincoln's limitations as a prophet, and, here

again, I must respectfully register my dissent. History shows that revolutions can and do slide backward if those who have a stake in defending them fail to rise to that challenge. The truth is we will not be able to continue the democratization of financial services into the future if we lack the necessary will and commitment ... if we are unwilling to take the risks of innovation ... if we focus on problems as an excuse rather than learning from our experiences and using that knowledge as a basis for continued efforts.

There is also the distinct possibility that some provisions in financial modernization legislation now pending in Congress could diminish the value of the bank charter and reduce the ability of bankers to continue to advance the democratization process and serve a broader array of customers and communities. That is a possibility that I would find troubling even if I were not the Comptroller of the Currency. For banks perform a special function in our society. Banks are subject to standards that often do not apply to other providers of financial services. Banks are comprehensively and frequently examined to ensure that they are a safe place to store money. Banks are subject to certain specific types of obligations, such as consumer protection requirements and CRA.

If banks are to continue to shoulder these responsibilities, they and their subsidiaries must be allowed to engage in a broader range of financial and financially-related activities to the same extent as other financial providers. To do otherwise would be both unfair and imprudent. For if, in the name of "financial modernization," incentives are provided for banks to shift new and expanding activities to holding company affiliates, the bank itself will become a less stable enterprise and less able to meet its obligations to its customers and community. Banks would no longer be able to perform their special economic and social functions. Many would be unable to make the contributions to the cause of community development that we are here to discuss this week.

I strongly believe that good financial modernization legislation is critical

if banks are to emerge as robust providers of financial services into the 21st century. But genuine financial modernization legislation must advance bank safety and soundness, further access to credit, promote competition, and lead to lower prices and more options for consumers and business. Genuine financial modernization is critical if banks are to continue advancing the development of Americans and their communities.

But net-net, despite all the problems, I am optimistic about the future. I am optimistic that, in the end, Congress will do the right thing and give us real financial modernization rather than modernization in name only. I am optimistic that the real progress that we have made to date in advancing the democratization of financial services will continue. And I am optimistic that, through dialogue and partnerships, we will continue to make even more impressive strides in promoting the development and redevelopment of our nation's communities.

In my four and a half years as Comptroller and chairman and vice chairman of the Neighborhood Reinvestment Corporation, I have visited scores of American cities and taken dozens of bus tours through neighborhoods and community development projects. I have talked with home loan applicants at credit counseling sessions in neighborhood churches. I have spent a day wielding a hammer and spreading spackle as part of a volunteer project to rehabilitate low-income housing. And for the past three years, OCC staff members and I have tutored elementary school children at a public school two blocks from our Washington headquarters. As a consequence, as is the case for most of you, I've seen for myself the strength and ability of Americans who have not been able to gain access to mainstream financial services -- but still have the desire and zeal to become full participants in the American economy. I have seen for myself how, despite the many difficulties you have had to overcome in creating innovative programs and finding ways to meet the needs of a broader range of customers, you have stepped up to the plate and more than met this

challenge. In short, I have seen the possibilities for a better future for America with my own eyes.

We have a choice -- a choice of either continuing our efforts to make sure these underserved Americans achieve their piece of the American dream, or using the difficulties inherent in any innovation as an excuse for backing away from our commitment to this segment of our society. Because of their innate abilities and desire to succeed, and because of your continuing energy and commitment, I am confident we can and will continue to make significant progress in the years ahead.

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