Remarks by

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I'd like to begin by thanking John Taylor for that very kind introduction. I appreciate John for the role he plays as an advocate for the fair treatment of low-income individuals. For more than 20 years, John and the NCRC have been working to increase financial access for underserved communities. I would like to thank each and every one of you for the hard work you do every day in support of this important mission.

Last year at this conference, I discussed the banking agencies' efforts to revise the Community Reinvestment Act and the proposed changes to the Interagency CRA Questions and Answers that have now been finalized. I would like to continue that conversation, focusing on one particular area—how national banks and federal savings associations can more effectively serve the credit needs of rural communities, especially those that are economically distressed. The economic challenges facing many rural communities, and what banks can do to support them, have long been NCRC priorities. I can tell you that they are priorities the OCC shares.

Although the United States became primarily an urban nation in the 1920s, today rural areas cover nearly 75 percent of our land area and are still vitally important. Small towns and rural areas are integral parts of the American fabric. They have contributed immeasurably to our national history and culture and to a vibrant national economy. Rural America is a diverse composite, comprised of booming exurbs on the urban fringe to deeply impoverished Colonias in the Southwest, the Mississippi Delta, and on tribal lands. Yet, although the challenges have been daunting, there remains in rural America a pride in what's there and a relentless spirit to overcome the challenges they face.

The financial services that banks and thrifts provide in rural areas include traditional offerings such as savings and checking accounts, as well as financing for homes, small businesses and farms, and municipal governments. Complex or innovative financial transactions designed to meet wide ranging needs, such as start-up businesses, natural resource development, renewable energy, and community health and educational facilities are also essential to the vibrancy of rural communities. Many of these transactions involve public-private partnerships, and they can occur on government-owned or native trust lands.

Rural America has financial needs that in some ways mirror, but in other ways differ from, those of their urban counterparts. Our financial system needs to work for all parts of the country, and it is my firm belief that CRA should play just as important a role in addressing the credit needs of rural areas as it does in metropolitan areas. Over the years since CRA was enacted, the OCC and the other bank regulatory agencies have amended the regulations and accompanying guidance to encourage community development activities in rural areas. These changes provide CRA consideration for activities that benefit low- or moderate-income individuals or areas in the broader statewide or regional area that includes a bank's assessment area, as well as activities in rural, distressed and underserved middle-income areas.

When the agencies began the current effort to update and modernize CRA, one of the key questions we asked was how well the adjustments to encourage CRA activities in rural areas were working to improve access to credit for community and economic development activities. The four public CRA hearings in 2010 raised a number of concerns about the lack of financing in rural areas. Some commenters observed that banking consolidation has led to an increasing number of larger institutions based in metropolitan markets, and that those institutions may engage in a heavier concentration of CRA-related community development activities in metropolitan markets. Many commenters said that CRA guidance addressing consideration of community development activities in broader statewide or regional areas created too much uncertainty because examiners had the discretion to decide whether the benefits to the bank's assessment areas were too diffuse. Bankers also noted the difficulty of determining whether the needs of their urban-centered assessment areas had adequately been met so that they could then receive consideration for community development activities outside their assessment areas. In light of these uncertainties, some observers noted that banks tended to take the safe route and concentrate their community development activities where CRA consideration would be assured. In many cases that will leave CRA activities concentrated in metropolitan areas where banks' assessment areas are located, creating or perpetuating an imbalance in community development activities between metropolitan and rural non-metropolitan areas.

After listening to these concerns, last March the agencies proposed several changes to the Interagency CRA Questions and Answers. Those changes were finalized in November. The final guidance clarified that an institution can receive CRA consideration for community development activities in a broader statewide or regional area that includes an institution's assessment area, provided that the bank or thrift has been responsive to needs and opportunities in its assessment area. We believe this approach provides a more flexible standard for evaluating CRA consideration for community development activities in rural areas, and we hope these changes will lead banks to look outside their assessment areas to consider more opportunities to lend and invest in rural communities.

After these changes were finalized, the OCC took steps to publicize the new guidance. We published a newsletter featuring examples of how banks are financing business development and expansion in rural America. We recently published another newsletter highlighting best practices for extending credit to Native American communities, which are mostly in rural areas.

In fact, a primary mission of our Community Affairs department is to help identify community and economic development opportunities and to work closely with bankers to build awareness of these opportunities, particularly when they coincide with changes in CRA policy or guidance. We do this in a variety of ways. We maintain a comprehensive array of web-based resource guides on a variety of community and economic development topics, including Native American banking and rural economic development. We publish *Community Developments Investments* newsletters with detailed case studies, including the recent rural-focused editions I just mentioned. And our library of *Insights* reports provides "step-by-step" guides to using a variety of community development programs.

Our outreach activities are also quite extensive. We regularly hold banker roundtables and conduct webinars to build awareness of CRA-related opportunities. We also try to foster collaboration on community development projects by working closely with community organizations to identify local needs and communicate those concerns and opportunities back to bankers who serve those areas.

As NCRC members, you know as well as anyone that progress in this area requires collaboration. Cooperative and collaborative development efforts are always more successful than trying to go it alone. The community development initiatives taking place in Appalachia today are excellent examples of what can be accomplished through teamwork. That region has many of the characteristics that make rural community development challenging. It is large and geographically remote, making transportation difficult and services hard to deliver. Many of its residents are under-skilled or under-educated. Poverty is rampant. In recognition of these problems, Congress in 1965 established the Appalachian Regional Commission, or ARC, to work across political boundaries with various stakeholders. Despite success in cutting high levels of poverty by more than half, nearly 50 years later, ARC's efforts to boost investment and economic development in Appalachia continue to be critical to the area.

ARC's work remains just as crucial today—the Commission's Appalachian Capital Policy Initiative is a multi-pronged set of efforts designed to address the entrenched deficit in economic development investment throughout the region. A necessary first step was assessing the magnitude of the problems, so ARC commissioned a study from its partner, NCRC, to perform a thorough evaluation of access to capital and investment in the region.

The Appalachian Capital Policy Initiative involves multiple facets and brings together public, private, and nonprofit partners. As part of this initiative, ARC has attracted private investment into five angel funds that are providing capital to companies in five states in Appalachia. Also, the OCC, FDIC, and the Federal Reserve, in partnership with ARC and several state banking associations, have held educational sessions with banks to identify commercial lending opportunities. A particularly promising effort involves a group of high-performing CDFIs that formed an intermediary, Appalachian Community Capital, which is raising capital from banks to be used to lend in rural communities. Also, the Appalachian Funders Network, which is comprised of 35 philanthropic groups and government entities, is developing local programs for startup entrepreneurs. These collaborative efforts are necessary to address difficult problems.

Regional- or community-based CDFIs are particularly important partners for banks in remote rural areas and in tribal communities. A bank that has no local presence in these areas can work with a CDFI that may be able to help identify relevant federal and state small business and economic development programs. Also, bank support through grants or loans, including patient capital, such as equity equivalent investments, can allow CDFIs to establish loan funds that finance needed community development.

We hope to see more successful initiatives, similar to those taking place in Appalachia, as a result of our most recent efforts to clarify CRA consideration for activities in rural areas. To spread the word, the OCC will continue to educate bankers and community development specialists about successful rural financing opportunities. We also will continue efforts to explain in more detail how these new CRA Questions and Answers will be administered. To accomplish this we are working closely with our agency partners to issue examination guidance and to develop webinars and additional training for examiners, bankers, and community practitioners.

In closing, I want to emphasize that the changes that we made last fall to our CRA guidance were only a first step. The agencies are continuing to evaluate other CRA-related concerns and we are considering additional improvements. We are counting on NCRC and its members for your insight and ideas for enhancing CRA's effectiveness. Your input will help guide us as we pursue our common goal of helping banks and thrifts meet community credit needs.

I want to thank you again for the opportunity to speak today and I look forward to your questions.