



Remarks by Acting Comptroller of the Currency Brian P. Brooks

at the

Access to Capital Forum

Denver, Colorado

August 28, 2020

Thank you to everyone who made it out today to support our communities and talk about how we can increase the flow of capital and credit to underserved areas throughout the country. Events like these take tremendous work and commitment. COVID-19 only makes everything more difficult; so, I'd like to thank the OCC team who worked to put this together as well as those of you who contributed to its planning. I also recognize that travel is more uncomfortable than ever, and we all have many good reasons to stay home and miss events like this one. Just by being here, though, you give me optimism that dedicated people like you are thinking of the future and working to make it better. I am proud to share the stage with some amazing people and look forward to our great conversation about projects and opportunities that the people in this room have engaged in to improve their communities and the lives of the people who live there.

Don, as a native Coloradan, thank you for your leadership and work with the Colorado Bankers Association. I know you have a close relationship with our Deputy Comptroller for the Western District Kay Kowitt who is here today, as is our Deputy Comptroller for Midsize Bank Supervision Bill Haas. We recognize the work you do is important, and we value the open and candid communication you and your members share with us about the needs and challenges facing Colorado banks and their customers. That communication is critical to our work.

I am excited to hear about the projects that Tom Ogaard of Native American Bank and Scott Horton of Wells Fargo will share with us. Tom has been a leader in banking in Indian

Country for longer than I can remember and his insight and experience benefit all of us. And, Scott has been helping Wells Fargo make a big difference here in Denver with projects like Park Hill Station that provides quality affordable housing. Thank you both for being here.

Before hearing from Tom and Scott, I wanted to take the opportunity to share my perspective related to this particular work and the larger need it serves for our nation. What we are *really* talking about today is nation building, or *rebuilding*, which harkens back to the very origin of the Office of the Comptroller of the Currency and the federal banking system. When President Lincoln and Treasury Secretary Chase were sketching their vision of the federal banking system, the primary problems they were solving involved unifying a nation by creating a system of banks that operated across the country to enable commerce, promote a stable national currency, and enable payments and the flow of funds into still remote corners of a growing nation. They knew rebuilding a nation following the Civil War would be as important as winning the war itself. The banking system they created was intended to be a tool of economic opportunity and community development.

Today, the federal banking system is an incredibly robust and diverse machine that includes 1,000 community banks helping to meet the needs of Main Street as well as the largest, most complex financial companies that also serve the nation's consumers, industry, and global economic needs. While the federal banking system on balance has been a force for good and an important source of strength for our nation and its economy, not everyone has enjoyed the same access to and benefits from that system over its 157-year history.

As I watched social unrest erupt following the tragic murder of George Floyd this spring, I listened closely. I heard people expressing anger not because our economic system failed, but because too many people had been left out for too long. While many flourished, others went underserved or left out entirely. Americans in cities like Denver wanted a fair shake, and the same opportunities they saw their neighbors receive down the road.

I came to believe that the solution to these problems involved more than *money*. It required us to acknowledge that there may be structural barriers that exist that make it harder for some people to participate in our financial system, or other obstacles that impede the flow of funds to certain areas, communities, and people. I recognized that the collective, "we," in this room have a role to play in addressing the root cause of that anger by identifying and removing

those barriers to fair access that hold people and their communities down. Eliminating barriers to fair access has been my highest priority as Acting Comptroller of the Currency.

In that context, I want to share a few thoughts about the OCC's CRA rule that we finalized in May and an initiative close to my heart, Project REACH.

The new CRA rule¹ was finalized for one reason—to promote more lending and investment in underserved areas, including low- and moderate-income neighborhoods. While we can applaud the trillions of dollars that CRA has encouraged banks to spend in the communities they serve since 1977, we must be honest. Major indicators of socio-economic justice have not improved.

Minority homeownership has been stagnant for 25 years, and African American homeownership has regressed to 1968 levels.² The wealth gap is as wide as ever.³ Income inequality seems to be increasing.⁴ Banks have closed thousands of branches in poor areas, starved for financial services and access.⁵ The status quo has not worked.

None of that is a secret, and the vast majority of bankers and community advocates recognized that CRA needed to change. Ninety-four percent of respondents to the OCC's Advance Notice of Proposed Rulemaking in 2018 agreed that the status quo lacked transparency, objectivity, and fairness.⁶

While some may not agree with particular features of the OCC's new rule, the agency sought to make improvements based on more than a decade of conversations about how to improve CRA that focused on objectivity and transparency. The process was a long grind, not a

¹ "OCC Finalizes Rule to Strengthen and Modernize Community Reinvestment Act Regulations." OCC News Release 2020-63. May 20, 2020 (<https://occ.gov/news-issuances/news-releases/2020/nr-occ-2020-63.html>).

² "Black Homeownership Gap: Research Trends and Why the Growing Gap Matters." Urban Institute. July 16, 2019 (<https://www.urban.org/events/black-homeownership-gap-research-trends-and-why-growing-gap-matters>).

³ Kriston McIntosh, Emily Moss, Ryan Nunn, and Jay Shambaugh. "Examining the Black-white wealth gap." The Brookings Institution. February 27, 2020 (<https://www.brookings.edu/blog/up-front/2020/02/27/examining-the-black-white-wealth-gap/>).

⁴ "Nine Charts about Wealth Inequality in America (Updated)." The Urban Institute. October 5, 2017 (<https://apps.urban.org/features/wealth-inequality-charts/>).

⁵ Nelson D. Schwartz. "Bank Closings Tilt Toward Poor Areas." *New York Times*. February 22, 2011. (<https://www.nytimes.com/2011/02/23/business/23banks.html>)

⁶ "OCC Seeks Comments on Modernizing Community Reinvestment Act Regulations." News Release 2018-87. OCC. August 28, 2018 (<https://occ.gov/news-issuances/news-releases/2018/nr-occ-2018-87.html>).

rushed sprint as some describe. The agency conducted hundreds of meetings in advance of the proposal and many more to promote awareness and encourage comment.

One indicator of a fair and open rulemaking process is to reflect on the comments and differences between the proposal and final rule. By any measure, the final rule differs from the proposal in important ways and reflects the valuable input of our many, diverse stakeholders. I am grateful for the feedback, which I believe ultimately produced a stronger, more effective rule. The final rule includes four important changes from the status quo: 1) clarify what counts for CRA credit, 2) update where activity is evaluated, 3) evaluate CRA performance more objectively, and 4) make recordkeeping and reporting timelier and more transparent.

These changes improve upon the status quo in meaningful, tangible ways. The rule provides a clear list of qualifying activities for the first time in 43 years, so banks and community groups no longer have to guess what qualifies for CRA credit. It provides new and expanded benefits for small businesses owners, small and family-owned farms, Native Americans, and people with disabilities. It refocuses qualifying activities on LMI areas and populations. Perhaps most significantly, as banking evolves, it incentivizes CRA activities in areas where banks have closed branches by requiring them to designate assessment areas wherever they take most of their deposits. That's an important change that helps ensure banks serve their entire community.

The new rule has important advantages over the status quo, but we recognize the burden associated with any such transition. That's why the rule gives banks under \$2.5 billion in assets the option to be evaluated under the current framework and provides a significant phase-in period to ease the transition for covered banks.

On June 29, the House of Representatives in a party-line vote acted to overturn the rule through the Congressional Review Act.⁷ We do not expect that resolution to pass the Senate, and the White House has indicated the President would veto the resolution if passed. Still, the effort to overturn the rule is misguided.

Overturning the OCC's new CRA rule would roll back benefits to Native Americans, people with disabilities, America's farmers, and small business owners. It would preserve a

⁷ Jim Saksa. "House rejects OCC change to bank discrimination rule." *Roll Call*. June 29, 2020 (<https://www.rollcall.com/2020/06/29/house-rejects-occ-change-to-bank-discrimination-rule/>).

status quo that on its face has failed to make the progress promised 43 years ago. It would force banks, community groups, and examiners to operate in the dark without the transparency, objectivity, and regulatory certainty that the new rule provides. It also would prevent future Comptrollers from taking up the rule to improve how CRA works in the future. That would be a terrible outcome for everyone.

The second initiative I want to highlight is something we launched in July—Project REACH.⁸ Project REACH was created specifically to identify and reduce barriers to economic participation and expand access to credit and capital for underserved and minority populations.

The project convenes leaders from banking, civil rights, technology and business organizations to work *together* on actionable projects to reduce barriers on a national and local scale. Founding members include the heads of the National Urban League; NAACP; Operation Hope; Latino, Asian American, and Native American groups; NCRC; and top executives from minority-owned banks as well as JPMC, Citi, and Wells.⁹ These leaders have the ability to affect real change not just through philanthropic donations, which are important, but they can also tear down structural barriers that prevent everyone from benefiting from and participating in our nation's economic system.

Project REACH has identified three broad areas where we can make a difference—1) Promote full and fair economic participation by reducing the number of credit invisibles in our country, 2) Increase the inventory of affordable and sustainable housing, and 3) Enhance the future of minority-depository institutions.

An example of the specific action we can take to reduce the number of credit invisibles in this country involves solving for the 40 to 50 million people who don't have any real credit score. Without a credit score, it is harder to get financial services, and other activities are more expensive. It contributes to making the poor poorer. We can fix this particular problem by developing alternative credit scoring models that use rent and utility history and other behavior that demonstrates willingness and ability to repay and manage debt. The OCC then can recognize

⁸ “OCC Announces Project REACH to Promote Greater Access to Capital and Credit for Underserved Populations.” OCC News Release 2020-89. July 10, 2020 (<https://occ.gov/news-issuances/news-releases/2020/nr-occ-2020-89.html>).

⁹ See more about Project REACH at <http://occ.gov/reach>

the alternative models as fair and reasonable ways to help assess creditworthiness of potential customers. What a dramatic change this action alone can achieve.

I am very excited about the potential of Project REACh. There is a great deal of energy behind it and the teams have been working for several weeks now. Unlike other Washington projects that measure progress in years and move at glacial pace, we have set ambitious timeframes for each workstream and plan to share more on the project's material progress very soon.

Now, I would like to turn the spotlight over to one of our distinguished guests, Mr. Tom Ogaard. Tom has been President and CEO of Native American Bank since 2013. Prior to Joining Native American Bank, Tom served as President and Chief Executive Officer for Citizens First National Bank in Princeton, Illinois. He also held executive positions at State Bank of Park Rapids, Eagle Valley Bank, Associated Bank/Signal Bank, and TCF Bank in Minnesota. Tom has been a great banker and an innovator for almost four decades and has helped grow and expand Native American Bank to serve Alaska Native and Native American communities. Its mission resonates with me—create jobs, sustain jobs, and diversify economies. Tom, thank you for joining us today.