



**Remarks for Director Reich
Principals' Panel
MDI Interagency Conference
August 1, 2007**

Good morning. I am very pleased to participate in this year's interagency Minority Depository Institution conference. As the "closer" on this panel with my colleagues - I welcome the opportunity to reaffirm the contributions of the nation's minority-depository institutions, particularly in furthering the economic vitality of minority and low income communities all across the country.

As of March 31, 2007, the OTS supervised 22 minority-owned savings associations, with total assets of nearly \$8.9 billion. The *average* asset size of minority-owned savings associations is approximately \$404 million. Many of the minority owned institutions OTS regulates have very long histories, with deep roots in the communities they serve.

We are pleased to have the leaders and senior management from several of our minority institutions participating in the conference including Carver Federal Savings Bank, Dryades Savings Bank, FirstBank Florida, Gateway Bank, Illinois Service Federal Savings Bank, Independence Federal Savings Bank and Urban Trust.

We recognize how your mission of service has endured over many generations. You have provided home mortgage loans and loans to small businesses. You have financed churches and other community-based institutions that have served as critical anchors in countless neighborhoods. And you have acted to provide fair access to financial services in underserved urban and rural communities. Throughout the years, you have forged many critical local alliances that have helped your institutions grow and prosper - and OTS looks forward to working with you to expand the success stories you have already written.

I have enjoyed meeting with you during the conference concerning your vision, goals, challenges and ways OTS can further support your operations. I'd like to thank the leaders of our institutions, and all of you, for taking the time to be here today.

Financial Performance of MOIs

Capital measures for the thrift industry as a whole continue to be strong and stable. For example, equity capital for all savings associations in the first quarter of this year was 10.70 percent of assets, an increase from 9.36 percent one year ago. In fact, the good news for our institutions overall is that, despite weakening housing markets throughout the country, the thrift industry reported solid earnings and profitability in the first quarter of 2007. Total industry assets

rose six percent from the prior quarter to \$1.49 trillion, and the number of OTS-supervised thrifts was **838** at the end of the first quarter.

A review of performance metrics of minority owned savings associations reflects strong equity capital positions, strong interest income - *and* that minority owned savings associations outpace non minority associations in multi-family residential lending when compared to associations of comparable size.

Multi-family mortgages are an important vehicle for providing access to affordable housing. When prudently managed, multi-family housing has typically presented relatively low levels of risk to lenders. Savings associations significantly outdistance banks and other lenders when it comes to multi-family housing loans – and many minority-owned savings associations make a sizable number and have a significant volume of multi-family mortgage loans.

OTS Initiatives to Support Minority Owned Institutions

OTS, and its predecessor, have had an ongoing minority institution technical assistance program since the 1970s. Under our technical assistance program, OTS staff work with minority savings associations to address needs such as providing support in identifying new senior management or board members - or providing input on proposed new product ventures.

The Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA) reinforces our commitment, not only to providing technical assistance, but to other important areas of our minority owned institution program including: providing training and education programs and promoting and encouraging the formation of new minority depository institutions. Throughout this year OTS has taken its booth, which I hope all of you will visit sometime during the conference, to events designed for minority entrepreneurs who may be interested in forming a savings association.

For example, OTS currently has a booth sponsored by the Black Business Professionals and Entrepreneurs' called the "Multicultural Business Symposium". The Symposium was designed to bring together leading thinkers from the African American, Asian, and Hispanic and communities to extend knowledge, provide technical assistance and promote strategies that will foster stronger business relationships. We also took our booth to the National Council of La Raza's Annual Conference in July and we are participating in several more related events during the course of the year.

Another initiative we launched to enhance our minority institution program, is the development of a new section on the OTS's Web site that aggregates relevant information, including a summary of resources that may be

helpful to minority institutions. The MOI section of the Web site includes the OTS policy statement on minority-owned institutions, a current list of MOIs displayed by region, and a series of links to partnership opportunities, programs, conferences, seminars, workshops, and similar information that we hope you will find useful. If you have not already done so, I invite you to access this information by clicking on the "Consumer and Community" tab on the OTS Web site at www.ots.treas.gov.

Additionally, we are developing different formats to deliver timely and topical information and resources, which will include those geared to the needs of minority-owned savings associations. After a hiatus of several years, we have resumed publication of our community affairs newsletter, *Community Liaison*, which is available at our booth today and on our Web site, www.ots.treas.gov.

I am also pleased to announce that I will be hosting a series of meetings with the minority institutions we supervise to discuss ways OTS can expand the education, training, technical assistance and other forms of support to the minority institutions we regulate. We launched this initiative in a meeting with several of our institution during which we discussed these subjects. We look forward to continuing this dialogue with the other minority savings associations we supervise.

Additionally, OTS has established mechanisms to seek input from the thrift industry on their perspectives on our examination and supervisory process. In order to gather input on this important area, the OTS established a Satisfaction Survey a few years ago. In the past savings associations have commented on regulatory burden, the need for enhanced communication concerning regulatory changes and industry guidance, and the challenges of compliance with the Bank Secrecy Act and anti-money laundering.

We have expanded our tools to gather feedback from our minority institutions through the development of a survey designed specifically for minority savings associations which we are in the process of rolling out to all minority institutions we regulate. Through surveys and meetings with executives and leaders of our institutions, OTS plans to continue to strengthen our minority owned institution program.

OTS has also expanded our **resources** to support our minority owned institution program. We reestablished OTS's Consumer and Community affairs program in Washington DC and recruited the talent to lead and staff it. A key recent hire for the OTS was Cassandra McConnell, Director of Consumer and Community Affairs, who is participating in this conference. I encourage you to engage both Cassandra and Montrice Yakimov (our Managing Director for Compliance and Consumer Protection) - and another recent addition to OTS. Get

to know them. They would be happy to provide you with information about our program and other topics that may be particularly helpful to you.

I'd also like to recognize our Community Affairs Liaisons, who are also here participating in the conference - and who play a critical role in carrying out and coordinating our minority institution program in our regional offices. They are: Francis Baffour from our Northeast region, Lynn Bedard from our Southeast region, Aaron Satterthwaite from our Midwest region, and Jim Woods from our West region.

In addition to supporting the minority institutions we supervise through increased staffing, engaging our institutions to provide feedback on our minority institution program, and expanding awareness of our program to promote the creation of new minority institutions, OTS has also worked with other banking agencies through the regulatory process to provide rules and guidance that support minority institutions.

For example, as has been mentioned, through the newly published Qs and As for the Community Reinvestment Act, the OTS has joined the other banking agencies in proposing guidance that would permit majority-owned financial institutions to receive favorable CRA consideration for engaging in activities that help meet the credit needs of the communities in which minority-owned

institutions and low-income credit unions are chartered. Significantly, the minority-owned institution or low-income credit union need not be located in, and the activities need not benefit, the assessment area of the majority-owned institution or the broader statewide or regional area that includes its assessment area. I echo the remarks of my colleagues that this interpretation is an important adjunct to the CRA regulations.

Regulatory Burden Relief Efforts

Additionally, as you know, I have long been an advocate for and dedicated to achieving meaningful regulatory burden reduction legislation, as part of the ongoing EGRPRA review requirements. The legislation enacted last year – the Financial Services Regulatory Relief Act of 2006 - contained a number of significant provisions for banks and thrifts, including call report simplification, creation of a simplified privacy notice disclosure form, and, in the case of thrift institutions, parity with banks under the broker-dealer provisions of the federal securities laws.

I am also pleased to note that in June, the Financial Crimes Enforcement Network (FinCEN) announced an initiative to adopt a more risk-based approach to examining community banks for anti-money laundering compliance. The OTS and the other banking agencies will work with FinCEN to refine the risk-based examination process, which will also include clarifying the definition of money-

service businesses. I applaud Treasury Secretary Paulson for undertaking this initiative.

As a former community banker, I will continue to pursue substantive regulatory burden relief aggressively, which is integral to the future of community banking. Reducing the undue costs of regulatory compliance for smaller financial institutions, including many minority-owned institutions, enhances your ability to operate and compete successfully with larger banks and thrifts that may have more elaborate compliance infrastructures.

In closing, I want to thank all of you again for being here to participate in this important conference. I urge all of you to continue to provide input to your regulator concerning ways we can support your mission and goals. Thank you for the critical role you play in incubating and growing businesses, financing housing, providing access to mainstream banking accounts, and engaging in related activities that support and sustain communities. I look forward to your questions.