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ORAL STATEMENT OF

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COMPTROLLER OF THE CURRENCY

before the

COMMITTEE ON FINANCIAL SERVICES

UNITED STATES HOUSE OF REPRESENTATIVES

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Statement Required by 12 U.S.C. § 250:
The views expressed herein are those of the Office of the Comptroller of the Currency and do not necessarily represent the views of the President.

Good morning, Chairwoman Waters, Ranking Member McHenry, members of the committee.

Allow me to begin by reintroducing myself to this committee. I was born in Maquoketa, Iowa, a city of 6,000 people. As of 2017, Maquoketa had a 19 percent poverty rate, median household income of $46,000 and median property value of $87,000.

Clinton Machine Company manufactured small engines, and by 1956 became the 10th largest employer in Iowa. By 1999, there were only about 35 employees left, and Maquoketa's largest employer closed its door.

The farm crisis of the 1980s further devastated the community and forced the closing of downtown businesses, which was further exacerbated by a recession. I have seen firsthand what happens to farming communities when large businesses shut down, and when small and family farms lack access to credit.

My first banking job took me to California in 1981. I was fortunate to meet my wife Bonnie at another bank, a second generation Hispanic-American of Mexican decent, born and raised in East L.A. My father-in-law labored at a factory and worked hard to support his family.

When I talk about low- and moderate-income (LMI) communities, I am not talking about an esoteric concept. On the contrary, I am talking about an area where I grew up—America's rural farmland—and an area where my wife grew up—East L.A.

Because I know, and care about, these communities, my intent is to strengthen CRA, not weaken it.

During my banking career, I saw firsthand how CRA can be improved. The goal for improving CRA rules is clear—to encourage banks to do more. I am confident that this proposal can achieve that goal by making four basic improvements:

- Clarify what counts.
- Update where we evaluate banks.
- Measure CRA performance more objectively.
- And, make reporting more transparent and timely.

I would like to walk you through the process that led to this proposal.

This proposal was informed by the agencies' EGRPRA reports to Congress in 2007 and 2017, public hearings 10 years ago, recommendations published by the Treasury Department in April 2018, extensive feedback gathered through meetings and tours involving thousands of stakeholders, and more than 1,500 comments received in response to our Advance Notice of Proposed Rulemaking (ANPR) in August 2018. I have personally read each of the 1,500 comments received in response to the ANPR. This has been a lengthy and transparent process, and it has been consistent with the letter and spirit of the Administrative Procedures Act. All of this work resulted in feedback supporting CRA modernization with 94 percent of ANPR respondents saying CRA today lacks objectivity, transparency, and fairness. Ninety-eight percent think the rules are applied inconsistently, and 88 percent say the framework is hard to understand.

Let me describe what the proposal does not do because there is a lot of misunderstanding about its intent.

One of the key claims against the proposal is that it would permit redlining. <u>This is blatantly false</u>. Nothing in this proposal changes the agencies' authority to enforce fair lending laws to prevent discrimination and redlining. The regulations implementing the Fair Housing Act and the Equal Credit Opportunity Act prohibit discrimination and redlining. These regulations are not changed *in any way* by this proposal.

The next erroneous assertion is that the proposal contains a single metric to determine a bank's CRA rating. <u>This, too, is incorrect</u>. The proposal would require examiners to use a retail lending test for each major type of product, identical to that described in Governor Brainard's speech.

In addition, examiners would evaluate the impact of a bank's CRA activity by measuring the dollar value of that activity in <u>each</u> assessment area <u>and</u> at the *overall* bank level. Then, examiners would apply their discretion in considering performance context to assign a final rating. For a regional bank, that would involve hundreds of measures; for larger banks, it would involve thousands.

Another assertion is that the proposal does not faithfully implement the statute. On the contrary, each of the activities listed in the proposal would directly satisfy the statute's purpose. Moreover, the proposal would close loopholes that exist today by no longer granting CRA credit to banks for loans to wealthy borrowers who buy homes in LMI areas. The proposal would also cease giving CRA credit to banks who buy and sell the same pool of mortgage loans over and over.

Another erroneous assertion is that the proposal would take away the incentive for banks to maintain branches. This is also incorrect. The proposal recognizes the central role of branches in assessment areas, and for the first time, would provide specific credit to banks for maintaining branches in LMI areas.

Another misperception is that a bank could receive a satisfactory CRA rating even if fails to have a satisfactory rating in half of its assessment areas. The proposal specifically asks what threshold should be used, including whether that threshold should be as high as 80 percent.

And lastly, allow me to address the issue of sports stadiums qualifying for CRA. Under current law, banks have received credit for financing sports stadiums and other renewal projects in LMI areas. The proposal would not change this approach. What the proposal does is to clarify the current approach by providing 200 examples of community and economic development activities that would receive CRA credit. We expect this certainty would generate significant job growth in LMI neighborhoods, which is precisely the intent of the law.

My only ask of those interested in, and commenting on, the merits of the proposal, is to actually read the proposal *and* not rely on soundbites. These issue are too important to be debated based on soundbites.

Thank you for an opportunity.