Remarks by
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I am delighted to be with you today, as both a friend and a colleague.

I would like to believe that those who know me, in whatever capacity, know me as a person of conviction. I believe in God and our great country, and I believe that each of us, as individuals, has the power to accomplish so much through good work.

I also believe in the power of providence. Because what may <u>seem</u> like coincidence is often much more than mere coincidence.

Consider the year 1974. It was that year that I began my career in the service of the United States and its national banking system as an assistant national bank examiner with the Office of the Comptroller of the Currency. It was also the year that the Urban Financial Services Coalition was created as a non-profit association of minority professionals.

In the more than 30 years since I began my career, I have grown in many ways – in experience and responsibility and, hopefully, in wisdom. And the Urban Financial Services Coalition has also grown, into the proud and prominent national organization it is today: an organization that has been tireless in mobilizing the minority leaders of today – and inspiring the leaders of tomorrow – to take charge of our nation's financial system.

We share a history, you and I. I am deeply honored to share your podium today.

This isn't an honor I take lightly. It comes with an obligation to give something back – something you can put to use when this conference is over and you're back behind your desk again. In that spirit, I offer some personal observations on leadership -- a subject that's central both to the UFSC's mission and to the future of the industry it serves, and that is of great importance to me.

Now, I can probably guess what you're thinking: this is going to be one of those "touchy-feely" talks about things like character and charisma. Well, you can rest easy. You won't be hearing about those intangible qualities of leadership today. At least not too much. As important as those things are, you've probably heard about them all before. Instead, my intention today is to address the question I've been hearing from a great many of you individually, as the present and future leaders of our financial system: Sam, what do I need to know – what do I need to do -- to take me to the top and keep me there? I don't profess to have all the answers, but I've got plenty of ideas and opinions, based on my thirty years of unique experience as an OCC policy maker and bank supervisor. And for what they're worth, I'm going to share some of those ideas with you today.

In 1997, the OCC's Office of the Ombudsman, which I head, assumed additional responsibility for managing the OCC's customer assistance group, or CAG. Since that time, the CAG has grown into a major component of the OCC's comprehensive consumer protection program, where consumer complaints related to the national banks the OCC supervises are received, processed, and analyzed. Today we have 70 highly trained professionals and state-of-the-art technology to provide knowledgeable and consumer-focused service to the thousands of national bank customers who bring their questions and problems to our attention. And I am proud to say that we have had considerable success, in facilitating resolution of individual disputes and in obtaining millions of dollars in restitution for consumers, in developing cooperative arrangements with other regulators, and in identifying and addressing systemic problems that require the attention of our senior examining personnel and the Comptroller.

Leading our CAG efforts has not only provided me with the immense satisfaction of helping average Americans who might have thought there was no place to go for such assistance; it has also given me unique insight into what I have come to believe is one of the most serious challenges facing our banking system today: the quality of its relationships with retail customers.

Although it's difficult to draw precise conclusions about Americans' satisfaction with their banking experience from the level of formal complaints we receive at the CAG, there is very little doubt that frustration has been rising over issues ranging from privacy and information security to disclosure concerns, and many things in between.

Of all the things we hear about, nothing ranks higher on the list of consumer irritants year after year than the practices associated with credit card and related bank products. They account for forty percent of all complaints the CAG receives, and the specific practices that prompt those complaints are wide-ranging and ever-changing. Mandatory arbitration clauses. Universal default interest rates. The incredible shrinking grace period. And, always, the fees: late fees, overlimit fees, and balance transfer fees that seem to go only in one direction. That would be the same direction people's blood pressure goes when they see that the outstanding balance on which they had been paying 15 percent APR is now going to cost them 32 percent because they were a few days late in paying an electric bill.

The OCC and our sister regulators have made it clear that we will take action when credit card and related practices cross the line into the territory that defines unsafe and unsound or abusive practices. We did just that in regard to credit card minimum payments that were insufficient to retire the fully accruing amount of interest and fees, plus at least a portion of outstanding balance, resulting in negative amortization. Again with the other agencies, we've issued several rounds of guidance governing the issuance of secured credit cards, repricing of credit card accounts, the use of promotional rates, and more. We have taken decisive action against individual issuers that have engaged in marketing of cards and assessment of fees and charges that fall within the FTC Act's definition of "unfair and deceptive" practices.

But we have long contended that some consumer banking practices walk a dangerous tightrope between what's impermissible and what is merely shortsighted, injudicious, and inadvisable. Where I grew up, they used to say, "Pigs get fat, but Hogs get slaughtered." Your retail customer base should never be viewed as a feeding ground. But while overreaching for short-term gains is understandable, it is never wise.

Now, I know that, given the consolidation of the credit card business, many of you work for companies that no longer have card portfolios. And even if your company is one of those that is still active in the business, you may not now be in a position to affect its policies on the things that generate so many of the complaints that we see at the CAG. But you might be in just a position someday.

The point that deserves emphasis, however, has applicability beyond credit cards. Indeed, it affects every facet of a bank's retail relationships. It doesn't matter what your particular role is at your bank. You have the power to influence its relationships with customers in many positive ways, drawing on the realization that while a bank's reputation with its customers is a priceless asset, it is also a perishable one.

I would argue that real leadership consists not only in recognizing that fact, but, even more, in becoming an advocate for it. The real leader argues for the longer view: that banks must not risk customer relationships that took years to build for the sake of relatively small short-term additions to earnings. By making that case with passion and logic, your good name -- and your own self-respect -- will be secure.

True leaders also have a kind of visionary quality. They can see where others can't; they can identify opportunities and challenges that others don't; they can anticipate the future so that their organization is ready for it when it arrives.

I make no claim to clairvoyance. But I have been blessed with a position at the OCC that gives me a special perspective on one challenge that I think will go far in determining the future of the banking industry: its ability to serve new and emerging banking markets, particularly in the minority and immigrant communities.

For my entire professional career, but particularly since 1995, when I became a member of the OCC's 10-member Executive Committee, I have endeavored to speak out for the interests of those whom our industry has unfortunately had a tendency to overlook: members of ethnic and minority groups, and those who have fallen outside the mainstream of our nation's economic life. I have encouraged the OCC to expand its outreach efforts to the so-called unbanked and underbanked. I have worked to expand our support for financial literacy efforts, particularly among our young people. I have promoted dialogue with minority-owned businesses of all kinds, but especially minority-owned financial institutions, trying to understand and find solutions to <u>their</u> particular problems.

In this context, let me mention two stories that recently appeared in the newspapers. Last month, the *Washington Post* reported a purse-snatching of the sort that is regrettably too common and routine on the streets of our big cities. However, this incident warranted press coverage because Jose Guillen, a player on the Washington Nationals baseball team, was impacted by the robbery. Per the newspaper, Mr. Guillen's 24 year-old girlfriend had just finished cashing his paycheck and wiring some of the proceeds back home. Almost before she knew what happened, a thief made off with the cash.

There are two remarkable aspects to this story. First, Mr. Guillen reportedly earns $4 million a year playing baseball; his weekly check was for $12,000. Secondly, when the purse was snatched, his girlfriend was emerging not from a bank, but from a local check-cashing establishment. So I ask you: if a person well paid even by major league baseball standards – someone with the best agents and technical advisers at his disposal -- chooses to rely nonetheless on a local check casher, despite their notorious fees and security risks, what does it say about the barriers that still exist between the banking system and millions of Americans, especially those whose first language is not English? In other words, if financially–prominent individuals haven't been persuaded to use direct deposit and regular banking services, is it any wonder that millions of others of lesser means and sophistication continue to rely on storefront money service businesses?

Now for the second item, which is closely related to the first. This story has been the subject of much wider publicity. A recent U.S. census report showed that nearly half of the nation's children under 5 and one-third of <u>all</u> U.S. residents are members of a racial or ethnic minority group. The fastest growing of these groups are Hispanics, now accounting for 49 percent of all U.S. population growth between 2004 and 2005, with the Asian population growth in second place. At that rate of growth, Spanish-speaking U.S. residents will double, to nearly 25 percent of the total population, by 2050, and all minorities – black, Asian, and Hispanic -- will constitute 50 percent of the U.S. population. In other words, by mid-century, the non-Hispanic white majority will become a near-minority for the first time in our history.

The question is, how well prepared is the banking industry for this sweeping change in our national demographics? Judging by the *Washington Post* story, the answer would seem to be, not as well as it needs to be. The data shows that minorities are vastly overrepresented among the 10 percent of American households that do not have deposit accounts at insured depository institutions. It is precisely those households that rely inordinately on check cashing establishments, rent-to-own outlets, pawnshops, and payday lenders to conduct their basic financial business. In so doing they pay a heavy price – not only in fees and potential loss due to theft, as Mr. Guillen discovered, but also in the credit histories that these households are not building through integration in the mainstream financial system.

As you no doubt know, there's considerable controversy over how well the so-called fringe banking industry serves its customers. Some say it does very well indeed, providing the services that are needed at reasonable prices – sometimes less than banks would charge. They offer convenience and anonymity often prized by their customers. Of course, there are also those who view check cashers, payday lenders, and others that provide similar services as little better than legal loan sharks, and would banish them from the financial services picture if they had the choice. I'm not here to take sides in that controversy or debate.

My concern, rather, is the narrower one involving the future of the banking industry. I'm here to ask whether the industry to which you have dedicated your careers can afford to leave on the table the billions in current business – and multiples in future business – that the fringe industry collects by catering to the needs of our growing minority population. Given the projected size and potential earning power of that population, I think the answer is self-evident.

What can be done? The key to gaining or improving a position in any market is understanding it better, and here I think that the members of this organization bring some unique advantages of empathy and first-hand insight.

Fortunately, bankers have some powerful tools at their disposal. One of those is the authority under Part 24 of the OCC's regulations to invest in projects that benefit low- and moderate-income communities throughout the nation. Since 1992, national banks have made more than $16 billion in such public welfare investments – investments that have provided housing, services, and jobs. They have supported critically needed urban revitalization, rural development, and job creation, and done so in a manner that is not only beneficial to the communities served, but also to the banks that make these investments.

There are now proposals pending in Congress to increase the permissible level of these investments, which, if adopted, will allow national banks to expand their support for their communities. This would provide banks with an excellent opportunity to gain additional prestige and visibility in the new markets we've been discussing.

Beyond that, it's still very important for bankers to get out into the community – to speak to your current and would-be customers, find out what attracts and deters them, and then come up with creative solutions to meet their needs.

For example, recognizing the importance of foreign remittances in Hispanic communities, banks have increased the visibility of these services. And where they have, they have often been rewarded with significant increases in ongoing new account relationships. The same beneficial results have been achieved where banks have adopted innovative lending, savings, and transaction programs, using products, such as individual development accounts, payroll cards, and other electronic transfer media, designed with the minority population particularly in mind. These products, too, have demonstrated considerable potential for turning today's fringe banking customer into the mainstream-banking customer of tomorrow.

So I think the bottom line here is that, while achieving greater penetration of minority markets remains a challenge for the banking industry, it is not by any means a challenge beyond the industry's capabilities. You have a unique opportunity to become agents of the changes that banks must undertake if they are to prepare for the demographic challenges that lie ahead.

One of the things I have learned in my career is that <u>each one of us</u> has to be prepared for those opportunities – opportunities that may or may not materialize. We work hard, during- and after-hours, trying to balance our family and home lives with our extended duty to our careers; we attend classes and seminars when it would be easier to be on the golf course or in front of the tube or curled up with a good book; we contribute to organizations like UFSC and participate in its events and conferences. Sometimes all this preparation pays off directly; sometimes, it seems, not. All we can do is the right thing and hope it turns out for the best.

Friends, I'm here to tell you that if you have done your homework – if you are prepared to assume the responsibilities of leadership -- then your opportunity to solidify the industry's standing with retail customers, generally, and with minority customers specifically, may have arrived. Such opportunities don't come very often. But for people in the banking industry, those opportunities are here today. I would encourage you to embrace them.

I sincerely appreciate your attention and would be delighted to take a few questions if time permits.