Remarks by

Thomas J. Curry
Comptroller of the Currency

National Bankers Association

Atlanta, Georgia

October 3, 2013

It's a pleasure to be back with you again this year. Every opportunity to visit with the NBA is confirmation of the long and cordial relationship our two organizations have enjoyed over the years—a relationship that, I can assure you, will only continue and deepen as long as I am Comptroller.

This has been a very special year for us at the OCC. Just over 150 years ago, on February 25, 1863, President Lincoln signed the National Currency Act into law. With that stroke of his pen, Lincoln created a uniform currency and a new system of banks to deliver high quality financial services to the American people. To make sure banks did as the law required, Congress also created the OCC as the first federal regulatory agency.

In the last month of his life, Lincoln signed another bill that recognized the importance of banking to the success and security of the American people. That was the law establishing the Freedmen's Savings and Trust Company. Congress had already passed, and the states were soon to confirm, the amendments to the Constitution outlawing slavery. But lawmakers recognized that emancipation was only the beginning of what would be a long and difficult road to economic equality.

The bank's creation was an important step in that direction. By providing a secure depository for the earnings and savings of the newly freed men, including thousands of African-American Union Army veterans, the bank would become a catalyst for the development of viable African-American communities everywhere the bank had a presence. Although it lived on only until 1874, the Freedmen's bank gave birth to businesses and institutions owned and operated by African-Americans for the principal benefit of their communities.

And customers and communities are what the NBA's member banks are all about. There is no role more noble or more important. That's why the OCC is determined to help minority-owned financial institutions achieve continued success. Tonight, I'd like to focus on some of what we're doing to make that happen.

One of the reasons that minority-owned institutions are so important is they serve communities that might otherwise not have access to an insured bank or thrift. As in the early years after the Civil War, when the Freedmen's bank provided a secure place for savings and a source of credit to encourage economic growth, minority institutions today can be a catalyst to ensure the vitality of low-income communities.

To serve that role, however, they need to be able to raise capital, and as you know, there are limited sources of capital available. That's a problem we recognized and acted to address through our revised Policy Statement on Minority National Banks and Federal Savings Associations. This policy statement recognizes the pivotal role of minority-owned national banks and federal savings associations and reaffirms our intent that these depository institutions remain owned by investors who are part of a minority group. However, one significant change in this policy statement gives the OCC discretion in considering situations when an institution's ownership no longer meets the strict criteria for minority ownership. The OCC adopted this change so that a minority depository institution would not have to turn down equity investment capital from non-minority investors for fear that it would jeopardize their minority-owned status. The OCC will now exercise some discretion in evaluating new capital infusions, and may continue to designate an institution as minority-owned even if it has accepted equity capital that increases the non-minority investor ownership share above 50 percent.

However, several conditions must be met. First, the institution must have previously been designated as a minority depository institution; second, it must primarily serve the credit and other economic needs of the community in which it is chartered; and third, that community must be predominantly minority. I am pleased to report that we recently used this new policy to maintain the minority-ownership status of one of our banks that obtained a capital infusion from a majority investor. Because this institution meets all of the other criteria, we continue to classify this bank to be an eligible MDI.

The OCC believes this policy change will help minority-owned institutions attract the new capital they need to serve their communities and increase economic opportunities for the businesses and consumers they serve. But we recognize the limits of this initiative, and we know that more is needed. And we are doing more.

You can see that in the resources we make available to community banks and thrifts that are especially relevant to minority-owned institutions. You'll find a wealth of material on our Web site at OCC.gov. Our Community Affairs pages have information covering everything from small business lending to New Markets tax credits, and you'll find more resources available on our Minority Banker pages. If you're a national bank or federal thrift, I hope you're taking advantage of BankNet, which has a variety of tools for community banks, including one to help you stress test your loan portfolio and another that makes it easy to compare your bank or thrift against a group of peer institutions you select. And I also hope you'll take advantage of our workshops for bank directors. The workshops are an efficient way to make sure your directors have the knowledge base they need to do their job, and we waive the fees for minority institutions.

In addition, I have also taken steps to raise the profile of minority-owned institutions within the OCC. For example, we recently established a Minority Depository Institutions Advisory Committee, which brings together representatives from minority-owned banks and thrifts across the nation for regular conversations with senior OCC leaders, including me. This group first met last March, and we are preparing for our next Advisory Committee meeting, which is coming up in mid-October. The committee includes representatives from African-American, Asian, Native American, and Hispanic institutions, including two banks which are members of the NBA.

What I found most important and useful about the last meeting of our Advisory Committee was the opportunity for free-wheeling discussions. Our committee is made up of a diverse group of industry leaders, and there was no shortage of ideas or questions. One committee member noted that the opportunity to trade ideas with his peers was a valuable experience in and of itself. Another discussed the importance of having the right people in the room.

I couldn't agree more. One of the most important things we can do to help minority institutions is to get the right people together. For the record, I'd like to tell you that we did have many of the right people in the room, including a representative from the Small Business Administration. I'm very hopeful that over time we can leverage those contacts to provide additional opportunities for minority institutions.

We also had a large bank representative in that room. We took the step of adding an executive from one of our large banks to the Advisory Committee with the expectation that it would encourage detailed discussions about the kinds of partnerships that are working best. And in fact, it did lead to a discussion at our first meeting about identifying creative new ways to promote and facilitate partnerships between minority-owned and larger financial institutions.

This was a theme we heard again when we convened our biennial interagency Minority Depository Institutions Conference last June. In particular, attendees were interested in opportunities that leverage assistance provided by federal programs, which I think is a very good idea. In fact, it was the reason we had SBA representatives with us at our advisory committee meeting.

One prospect for partnerships between minority- and majority-owned banks that I found particularly intriguing was the opportunity for joint efforts related to the federal New Markets Tax Credit program. This program attracts investment capital to low-income communities by giving investors a credit against their Federal income tax in exchange for making equity investments in specialized financial institutions called Community Development Entities (CDEs). These transactions are designed to spur new or increased investments in operating businesses and real estate projects located in low-income communities. Several minority banks have formed CDEs and received allocations of New Markets Tax Credits. These credits are then used by the minority banks' CDEs to help lower the cost of lending money to business and community development projects located in their low-income communities.

That's a very important program, but it turns out that for various reasons, some of the CDEs started by minority banks have not been able to fully utilize the tax credits. However, that has opened the door for some partnerships with majority-owned banks. In some cases, the majority bank partner would make an equity investment in the transaction to supplement the financing provided by the minority bank. In other instances, project financing became more affordable when majority bankers brought clients with economic development plans together with a minority bank partner that had a New Markets Tax Credit allocation.

We also heard about transactions in which majority banks that had received New Markets allocations partnered with minority banks to use these credits to help lower the cost of financing for the minority bank's clients. The minority bank typically participated in providing the non-tax credit portion of the financing.

These types of partnerships between financial institutions show creativity and a willingness to work in a collaborative way, not just to benefit each other, but to benefit low-income or minority communities. They're exactly the kind of projects we want to encourage.

Other types of partnerships bring together majority- and minority-owned banks using federal small business loan guarantee programs. In particular, the Small Business Administration has made the OCC aware of its keen interest in promoting greater participation by minority disadvantaged businesses in their flagship 7(a) loan guarantee program, and more specifically, the Small Loan Advantage Program. Minority bankers, teaming up with larger SBA bank lenders, have the potential to help expand lending to minority businesses. The OCC stands ready to help facilitate these joint efforts.

Another way in which the bank regulatory agencies have encouraged partnerships between minority depository institutions and majority-owned financial institutions is through the Community Reinvestment Act. There are a number of avenues for national banks and federal savings associations to earn CRA consideration for their partnership efforts. For example, they can place deposits or invest capital in the minority institution. A bank could also undertake a joint venture or agree to participate in a loan made by a minority-owned institution. CRA consideration would be available in each of these cases if the activity promises to help meet the credit needs of the local communities in which the minority institutions are chartered.

Partnerships do not always have to involve monetary support. Providing technical expertise, such as loaning an officer to help a minority institution partner improve its retail or commercial credit programs, or making available office facilities or other in-kind assistance, such as data processing systems, would also qualify for CRA consideration. Another incentive to partner with minority institutions is the provision of CRA that entitles a majority-owned bank to receive consideration for eligible CRA activities, even if the minority financial institution is not located in, or the CRA activities do not benefit, the bank's own assessment area.

The OCC believes this kind of cooperative engagement will build the strength and reach of your institutions and bring more resources to the communities that you serve. I can assure you that we will do everything in our power to make these partnerships happen and then to make them work. After all, the OCC and minority banking institutions share a common history. We both came into the world during the Lincoln administration to advance a vision of equal economic opportunity for all Americans. That vision is just as powerful, and just as meaningful, to us today as it was in the days of Lincoln.

I'd like to thank the National Bankers Association again for inviting me here to speak today. I believe there is time remaining, and I'd like to use that to hear from you and take some of your questions.