Remarks of

Thomas J. Curry

Comptroller of the Currency

before the

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It is my pleasure to be with you today.

When I was last here in an official capacity, it was 2005, and New Orleans was reeling from the effects of the Gulf storms. To return today and see the remarkable progress the city has made over the past decade is to be reminded what dedicated people can accomplish when they work together.

We owe a special debt of gratitude to the first responders, volunteers, and contributors to those initial recovery efforts and to everyone who has contributed to making New Orleans what it is today. I am especially appreciative to those who helped plan this conference and tomorrow's day of service.

As the morning's panelists described, when communities come together in times of crisis, artificial boundaries of geography and divisive self-interests oftentimes dissolve. Whether the underlying causes of decline are natural disasters, civic disruptions, or economic decay, a community's recovery does not happen quickly or on its own. The rebirth of New Orleans after Hurricane Katrina and the strategic revitalization efforts of many other cities hinge on the vision and energy of local leaders and stakeholders.

Disaster response depends heavily on community partnerships. Local government officials, community-based organizations, financial institutions, and even regulators such as the OCC must come together quickly. Building on the lessons learned from Hurricane Katrina, soon after Superstorm Sandy hit the Eastern Seaboard in 2012, the financial institution regulators stressed that bankers should work constructively with customers who were experiencing disaster-related financial difficulties. In addition, we reminded banks about the expedited steps available for establishing temporary banking facilities to restore services so that customers could access their accounts and commerce could return to normal as quickly as possible.

With an eye toward the longer-term challenges of rebuilding these areas, representatives from the OCC Community Affairs staff and other federal agencies and national relief organizations, such as FEMA and the Red Cross, met with local groups to come up with a plan for working together and utilizing available resources. These meetings helped identify and implement appropriate responses to the disaster and aided rebuilding efforts by identifying potential partnership efforts and additional financing sources. We also held a number of listening sessions to help understand the communities' credit needs and conducted outreach activities to discuss with banks how their efforts to finance the rebuilding efforts might fit into their Community Reinvestment Act objectives. OCC staff remains engaged in efforts to encourage partnerships between financial institutions and community-based organizations to address these recovery challenges after Superstorm Sandy.

Although a disaster calls for an orchestrated and immediate response, the "playbook" for coordinating efforts to revitalize and stabilize an economically distressed city relies on many of the same tactics. And the OCC engages in much the same way as I just described.

Revitalizing communities is always difficult work, but there are a variety of incentives and tools that encourage banks and thrift institutions to tackle the range of challenges that arise from either economic distress or natural disasters. The financial institution regulators have adopted changes to their CRA regulations allowing consideration of community development activities that revitalize or stabilize low- or moderate-income areas, designated disaster areas, or certain distressed or underserved rural areas. Generally, if an activity helps to attract new businesses or residents, or retain existing ones, and is consistent with community revitalization or stabilization plans, it will be considered to revitalize or stabilize an LMI area. Similarly, if an activity helps to attract new businesses or residents, or retain existing ones, and is related to disaster recovery, it will be considered to revitalize or stabilize a designated disaster area.

This flexibility in the definition of community development allows it to cover a wide range of financing activities and services, such as loans to help retain businesses that employ local residents, investments to attract a major new employer that will create long-term job opportunities, initiatives to provide community services, and technical assistance to help nonprofit organizations build capacity. Other examples of CRA-eligible activities include making low-cost loans or grants to community-based organizations, like a Community Development Financial Institution that specializes in lending to local small businesses, or financing critical infrastructure improvements that meet essential community needs in the low- or moderate-income or designated disaster area, such as a bond to finance the redevelopment of streets or sewer lines.

After the widespread devastation resulting from Hurricanes Katrina and Rita, the regulators took a further step by allowing additional flexibility when examiners evaluated the geographic aspect of CRA-related activities in those designated disaster areas. Under this policy, banks whose assessment areas were located outside of the Gulf coast region were able to receive CRA consideration for their activities to revitalize or stabilize the area devastated by Hurricanes Katrina and Rita. This policy was designed to help attract additional financing for the rebuilding efforts because it incentivized financial institutions from outside the region to participate in the recovery efforts.

In response to the financial crisis and the widespread foreclosures, which hit particularly hard in certain communities, the financial institution regulators adopted a similar change in the CRA regulation's definition of community development. This amendment allowed banks to receive CRA consideration for providing financing for activities eligible under the Neighborhood Stabilization Program, even if the activities occurred outside of banks' geographic assessment areas.

CRA consideration, however, is not the only impetus for banks to engage in community revitalization. Although less well-known, the public welfare investment authority allows national banks to help finance disaster recovery efforts and revitalize communities. This provision in the banking laws allows national banks to make equity investments in projects that meet certain criteria. Federal savings associations have other similar authorities to make community development and public welfare investments. Under the regulations governing these investments, national banks and federal savings associations can invest, up to specified limits, in affordable housing, as well as community and economic development projects that primarily benefit low- and moderate-income individuals or areas.

These investment authorities are essential to much of the work that is being done in our communities, because they allow financial institutions to make equity investments in a range of tax credit transactions. The Low Income Housing Tax Credit is critical to developing and preserving the supply of affordable housing, but the New Markets Tax Credit and the Historic Tax Credit are equally vital tools for stabilizing and revitalizing older communities. In fact, the Gulf area received a special $1 billion allocation of New Market Tax Credits to help with rebuilding its economic base.

CRA and the public welfare investment authority provided critical tools that underpinned much of the redevelopment here in New Orleans. Since 2006, the OCC has approved almost $600 million in public welfare investments here in New Orleans. About 80 percent of these investments were in affordable housing with the remainder supporting a variety of community and economic development projects including, schools, art centers, health clinics, and support for entrepreneurs and small businesses. These tools are equally important in other cities that are taking on the challenges involved in disaster recovery or community stabilization and economic revitalization.

Just as we have revised the CRA regulations over the years, the OCC and the other financial regulatory agencies continue to update and clarify the Interagency Questions and Answers Regarding Community Reinvestment. In late 2013, we finalized new community development guidance, and last September we proposed additional changes that could foster more economic development, including small business lending and investment. We have heard that our current CRA guidance may inhibit CRA consideration for providing financing to Community Development Financial Institutions and other financial intermediaries that intend to assist start-up businesses but have not yet begun lending. To address this issue, our proposed guidance would add more detail and provide additional examples of activities that “promote economic development.” The proposal also would add loans to or investments in Community Development Financial Institutions that finance small businesses to the list of activities that are presumed to support economic development. Economic development powers the heartbeat of a community by adding jobs and increasing business opportunities, so we are very focused on getting this right.

Fortunately, as we heard this morning, we can point to many examples of progress in other communities. We are looking with interest at a number of productive initiatives in Detroit, with its seemingly insurmountable economic challenges, that offer examples of how a community can advance its economic recovery and tackle high unemployment, abandoned housing, and a deteriorating infrastructure. With an influx of human and financial capital, the city and its residents, businesses, and entrepreneurs are targeting neighborhoods in Detroit and beginning a slow recovery.

Many of the success stories we have heard about in communities that are rebuilding can be attributed to the partnerships created by bankers, government, businesses, and the nonprofit sector. These joint efforts support effective and cohesive local community development organizations and activities. This afternoon's tours offer replicable examples of transformations made possible by using local partnerships and resources to create new civic and economic models for investing in distressed communities.

I am proud of the rebuilding efforts in the Gulf Coast and the accomplishments of every community that has come back from economic devastation or is on its way to a better future. It is rewarding, personally and professionally, that banks have played such an important role in helping to bring these recoveries to fruition. There are many pathways to recovery, but they all begin with preparedness and the determined will to work together. The Gulf response to natural disaster highlighted the importance of these partnerships—the value of pooling resources, sharing technical expertise, and finding creative ways to remove barriers and overcome challenges. Successful community revitalization hinges on the cooperation of a broad and dedicated base of stakeholders. My colleagues at the OCC and I look forward to working with you in those efforts.