Remarks by Acting Comptroller of the Currency Brian P. Brooks

at the

Access to Capital Forum

Charleston, S.C.
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Thank you to everyone who made it out to this important event. It is a great honor to share the stage with Senator Tim Scott and Secretary of Housing and Urban Development Ben Carson. We share a common commitment to affordable housing and making capital more available in underserved communities. Today's event is extraordinary for a number of ways, not the least of which is the senior level engagement demonstrated by those on the dais for promoting access to capital and creating more economic opportunity. As head of the Office of the Comptroller of the Currency (OCC), I am particularly pleased by the turnout demonstrating the strength of the federal banking system and its critical role in leading our economy and our nation's recovery from COVID-19. The banks and federal savings associations that make up the federal banking system hold 70 percent of the assets in our country's commercial banks and correspondingly conduct most of the economic activity that banks in our nation are responsible for each year. Deploying that strength to promote economic opportunity and growth is fundamentally why banks exist. The ability to do that on a national scale was the result of the vision and genius of President Lincoln 157 years ago.

Today, we are going to hear first-hand success stories of how Opportunity Zones (OZ) and Community Reinvestment Act (CRA) investments help promote the vitality of certain communities. I want to thank TD Bank, PNC, and all the banks joining us today for sharing their success stories. Following the banks' presentations, we will have what I believe will be a robust conversation about opportunities, some of which are directly supported by the OCC's new CRA rule and the clarity it provides regarding certain activities including those in Opportunity Zones that overlap with low- and moderate-income (LMI) areas and serve LMI populations.

Before yielding the floor to the gentleman from South Carolina, I want to share a few thoughts about the importance of today's conversation in the context of two OCC initiatives—the OCC's CRA rule and Project REACh.

The OCC finalized a new CRA rule on May 20,[1] for one reason—to promote more lending and investment in underserved areas, including low- and moderate-income neighborhoods. While we can applaud the trillions of dollars that CRA has encouraged banks to spend in the communities they serve since 1977, we must be honest that we have not moved the needle much on important economic equality indicators.

Minority homeownership has not changed much in 25 years, and African American homeownership has regressed to 1968 levels.[2] The wealth gap is as large as it has ever been.[3] Income inequality seems to be growing.[4] Banks have closed thousands of branches in poor areas, starved for financial services.[5] The status quo has not worked. Ninety-four percent of respondents to the OCC's Advance Notice of Proposed Rulemaking agreed that the status quo lacked transparency, objectivity and fairness.[6]

To improve CRA, the OCC focused on objectivity and transparency and was informed by more than a decade of dialogue and a multi-year rule-making process. The final rule differs from the proposal in important ways and reflects the valuable input of our many, diverse stakeholders. The final rule reflects that input to make four important changes from the status quo: 1) Clarify what counts for CRA credit, 2) update where activity is evaluated, 3) evaluate CRA performance more objectively, and 4) make recordkeeping and reporting timelier and more transparent.

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[1] "OCC Finalizes Rule to Strengthen and Modernize Community Reinvestment Act Regulations." OCC News Release 2020-63. May 20, 2020 (https://occ.gov/news-issuances/news-releases/2020/nr-occ-2020-63.html).

[2] "Black Homeownership Gap: Research Trends and Why the Growing Gap Matters." Urban Institute. July 16, 2019 (https://www.urban.org/events/black-homeownership-gap-research-trends-and-why-growing-gap-matters).

[3] Kriston McIntosh, Emily Moss, Ryan Nunn, and Jay Shambaugh. "Examining the Black-white wealth gap." The Brookings Institution. February 27, 2020 (https://www.brookings.edu/blog/up-front/2020/02/27/examining-the-black-white-wealth-gap/).

[4] "Nine Charts about Wealth Inequality in America (Updated)." The Urban Institute. October 5, 2017 (https://apps.urban.org/features/wealth-inequality-charts/).

[5] Nelson D. Schwartz. "Bank Closings Tilt Toward Poor Areas." *New York Times*. February 22, 2011.

[6] "OCC Seeks Comments on Modernizing Community Reinvestment Act Regulations." News Release 2018-87. OCC. August 28, 2018 (https://occ.gov/news-issuances/news-releases/2018/nr-occ-2018-87.html).

These changes improve upon the status quo in meaningful, tangible ways. The rule provides a clear list of qualifying activities for the first time in 43 years, so banks and community groups no longer have to guess what qualifies for CRA credit. It provides new and expanded benefits for small businesses owners, small and family-owned farms, Native Americans, and people with disabilities. It refocuses qualifying activities on LMI areas and populations. Perhaps most significantly, as banking evolves, it incentivizes CRA activities in areas where banks have closed branches by requiring them to designate assessment areas wherever they take most of their deposits, regardless of the presence of a branch. That's an important change that helps ensure banks serve their entire community.

While we believe the new rule has important advantages over the status quo, we recognize the burden associated with any such transition. That's why the rule also provides an option for banks under $2.5 billion in assets to continue being evaluated under the current framework and provides a significant phase in period to ease the transition for covered banks.

On June 29, the House of Representatives in a party-line vote acted to overturn the rule through the Congressional Review Act.[7] We do not expect that resolution to pass the Senate, and the White House has indicated the President would veto the resolution if passed. Still, the effort to overturn the rule is horribly misguided.

Overturning the OCC's new CRA rule would roll back benefits to Native Americans, people with disabilities, America's farmers, and small business owners. It would preserve a status quo that on its face has failed to make the progress promised 43 years ago. It would force banks, community groups, and examiners to continue to operate in the dark without the transparency, objectivity, and regulatory certainty that the new rule brings. And, it would prevent future Comptrollers from taking up the rule to improve how CRA works in the future. That would be a terrible outcome.

Today, however, we are focused on one of the many changes in the new CRA rule that expands economic opportunity and promotes growth—the clarity that economic activity in Opportunity Zones that overlap with LMI areas qualifies for CRA consideration. We are very

[7] Jim Saksa. "House rejects OCC change to bank discrimination rule." *Roll Call.* June 29, 2020 (https://www.rollcall.com/2020/06/29/house-rejects-occ-change-to-bank-discrimination-rule/).

excited about the synergy created when you combine OZ and CRA incentives to benefit these areas. We will hear more about examples and opportunities throughout today's discussion.

The second OCC initiative I want to highlight is something we launched just a week ago—Project REACh.[8] Project REACh was created to identify and reduce barriers to economic participation and expand access to credit and capital.

The project convenes leaders from banking, civil rights, and technology to take on actionable projects to reduce barriers on a national and local scale. Founding members include the heads of the National Urban League, NAACP, Latino, Asian American, and Native American groups, top executives from JPMC, Citi, and Wells, as well as leaders from minority-owned banks.[9] These leaders have the ability to affect real change not through philanthropic donations, which are important, but by tearing down structural barriers that prevent everyone from benefiting from and participating in our nation's economic system.

Project REACh has identified three broad areas we can make a difference—1) Promote full and fair economic participation by reducing the number of credit invisibles in our country, 2) Increase the inventory of affordable and sustainable housing, and 3) Enhance the future of minority-depository institutions.

An example of the specific action we can take to reduce the number of credit invisibles in this country involves solving for the 40 to 50 million people here who don't have a meaningful credit score. Without a credit score, it is harder to get financial services, and makes other activities more expensive. It contributes to making the poor poorer. I believe we can fix that by developing alternative credit scoring models that use rent and utility history and other behavior that demonstrates willingness and ability to repay and manage debt. The OCC then can recognize the alternative models as fair and reasonable ways to help assess creditworthiness in bank underwriting. What a dramatic change this action alone can achieve. You will be hearing much more about this exciting project in the coming weeks.

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[8] "OCC Announces Project REACh to Promote Greater Access to Capital and Credit for Underserved Populations." OCC News Release 2020-89. July 10, 2020 (https://occ.gov/news-issuances/news-releases/2020/nr-occ-2020-89.html).
[9] See more about Project REACh at http://occ.gov/reach

Now, I would like to turn the spotlight over to one of our distinguished guests, Senator Tim Scott. Tim has been an important voice for change in South Carolina and in Washington. He is a leader for social justice and economic empowerment. Tim embodies the opportunities Americans have as well as challenges we must overcome to succeed. As a member of the distinguished Senate Banking Committee, his mission and personal passion are to bring more economic opportunity to billions, and his signature legislation that created Opportunity Zones is the reason we are here today. I am very grateful to share the stage with you.

Ladies and gentleman, Senator Tim Scott.