

Remarks by
John G. Walsh
Chief of Staff
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I'm delighted to be able to join you here today at this important regulatory forum and appreciate very much your taking the time to come to Miami. I've had several opportunities to meet with many of you individually at various group events, and I have always benefited from the frank and open dialogue that we have had on topics affecting minority-owned institutions.

I want to join my fellow regulators in emphasizing the unique and important role minority-owned financial institutions play in our financial system. As we hope to demonstrate by our policies and actions, the OCC is committed to preserving a robust and healthy minority-owned banking sector.

We recognize that your institutions play a vital role in facilitating access to financial services by all Americans. You know your neighborhoods and have tailored your services to the needs of your customers. Your close ties to the people and communities you serve have allowed your institutions to serve areas that have often been underserved by other financial institutions.

It is in recognition of this important role that minority depository institutions play in the nation's banking system that two amendments to the Community Reinvestment Act were made in the early 1990s. The first amendment, enacted in 1991, provides favorable CRA consideration to any institution donating, selling on favorable terms, or making

available rent-free to a women-owned or minority depository institution any branch located in a predominantly minority neighborhood. The second amendment, passed in 1992, specifically authorizes each regulatory agency to consider capital investment, loan participation, and other ventures undertaken in cooperation with minority depository institutions when evaluating a bank's CRA performance – provided that these activities help meet the credit needs of the local communities in which such institutions and credit unions are chartered.

The interpretive CRA guidance outlined in the current interagency “Q’s and A’s” addresses the more common types of activities that will qualify under the lending, investment, and service tests for large banks and the community development test for intermediate small banks. However, not all qualifying activities are specifically addressed. This has led to uncertainty – and in some cases inconsistency – in how we treat these activities for CRA purposes.

Of particular interest to you, as minority-owned depository institutions, is the CRA consideration majority-owned banks can receive for investing in or otherwise supporting minority-owned banks. However, the current agency CRA regulations do not specifically address the activities a majority institution may engage in to receive this positive CRA consideration and how that engagement with a minority institution may be evaluated in a CRA examination.

I am pleased to say that the proposed interagency Q’s and A’s interpretive guidance clarifies that a partnering majority bank will receive positive CRA consideration for such activities even if the minority depository institution is not in the majority institution’s CRA assessment area, or broader statewide or regional area. This is

an exception to the general CRA standard of evaluating a bank's performance in its own assessment areas, or within broader regional areas that include the bank's assessment area.

Issuance of this proposed guidance is a positive first step in addressing questions that have surrounded this provision. Yet, even before we issued this Q and A, the OCC had heard from a number of minority institutions who believe that the recognition of the statutory provisions providing for CRA consideration for certain activities undertaken with minority-owned institutions should be included in the interagency CRA regulations in order to give them greater prominence and to clarify just how the agencies give CRA credit for these activities.

For example, there are three areas which we've been told need clarification.

First, the current CRA regulations focus on how well a bank is doing in addressing the needs of specific assessment areas or broader regional areas that include the bank's assessment area. Since the 1992 minority depository institution amendment to CRA does not require benefit to the bank's assessment area, we've been told the regulations implementing this provision need to address how such activities are quantified and factored into a bank's overall CRA performance and how they are presented in a bank's Public Evaluation if the two banks do not share the same CRA assessment area. These are good suggestions.

Second, the current regulations provide CRA consideration for activities such as mortgage and small business lending, retail financial services, and community development loans, investments, and services, but some activities mentioned in the

statute, such as certain loan participations and “other ventures,” don’t necessarily fit neatly into these categories.

For example, minority institutions have told us it is unclear what CRA credit a majority institution might receive for participating a loan out to a minority institution. Selling a loan participation to a minority depository institution isn’t providing credit, but this type of transaction can be very beneficial to a bank in need of a solid earning asset. As a case in point, after Hurricane Katrina, loan participations from other institutions greatly helped a minority institution, flush with deposits from insurance proceeds, put those funds to work until they were later used to fund construction of homes and businesses.

And there are other ventures between majority and minority institutions – such as the sharing of IT operations – that might not neatly fit within the activities recognized under the CRA regulations, but that should be recognized.

Finally, as I mentioned, the 1991 amendments provide for CRA consideration for banks that donate branches in minority communities, or make them available rent free or on favorable terms, to minority- or women-owned institutions. These provisions are included in the regulations as an example of a “qualified investment” under the Investment Test for large banks. We should clarify that CRA consideration for these types of activities would also be provided to banks evaluated under all CRA tests, such as the small and intermediate small bank tests. Clarifying these issues may encourage banks to donate, sell on favorable terms, or make available rent-free, branches to minority institutions serving predominantly minority neighborhoods.

I don't have fixed views on whether a regulatory amendment or additional CRA Q's and A's are the best way to tackle each one of these very legitimate issues. But it is important to note that the bank regulatory agencies are now accepting comments on the proposed CRA Q's and A's, and I would encourage you to provide us your feedback during the comment period, which ends on September 10. The Q's and A's we publish jointly with the other banking agencies provide important guidance on what the regulations and statutory provisions mean, and they have a real impact on how the process works: Banks use this guidance when they plan their CRA activities and when they want CRA consideration . And, our examiners follow the Q and A guidance when examining banks. We are open to your suggestions as to how best to ensure that we address the full range of activities deserving consideration under the minority institution provisions of the CRA. So, please don't hesitate to write in with your full range of recommendations for guidance on this issue. It's usually quicker and more efficient to issue Q's and A's or examination guidance than it is to change the regulations, but if revising our CRA regulations is required to address these issues, I am open to that suggestion also.

Moving on to a different topic, I would like to provide you an update on an internal review we began last year to develop strategies for enhancing minority bank supervision, tracking our progress, and assessing the impact of these initiatives.

We began this review with an internal survey of our Assistant Deputy Comptrollers and Portfolio Managers who supervise minority institutions. These surveys have now been completed, and we are in the process of cataloguing best practices that

can be shared with other supervisory offices, as well as determining where refinements to our supervisory process can be made.

Although our analysis is far from complete, we are seeing some common themes in our examiners' responses. The first is a confirmation of our historical experience that no two minority-owned institutions are exactly alike. The OCC supervises just under forty minority-owned national banks, each of which operates with a unique set of challenges and circumstances.

Examiners find that OCC's fundamental approach of developing a customized supervisory strategy for every national bank is especially critical for minority-owned banks. Whether it's by conducting more frequent visits to provide technical guidance to management, arranging for involvement of examiners with knowledge of a minority bank's specific activities, or ensuring that there is continuity and a high level of expertise in the staff assigned to examinations, our supervisory offices recognize your differences and have, without exception, tailored their supervisory strategies to your banks' specific needs.

The next phase of this review, which is about to begin, will be to gather information directly from our minority-owned national banks regarding how we can make our education, outreach, and technical assistance efforts more useful and effective. We hope to receive the survey feedback by the end of the summer because we are eager to start our analysis. I hope you will take the time to provide us with candid and detailed feedback.

Later in the year, we also hope to conduct focus groups to explore issues affecting our minority bank population even further.

As I have said in previous gatherings, the OCC is committed to ensuring minority-owned national banks receive high quality supervision, relevant technical assistance and education.

Again, thank you for the opportunity to be with you. I look forward to your questions.