

Remarks by

Thomas J. Curry
Comptroller of the Currency

Before the

National Bankers Association Annual Convention

New Orleans

October 3, 2012

Thank you.

Before I get started, I really want to thank the leadership of the NBA, especially Michael Grant and Doyle Mitchell, for inviting me here today. I have met with Michael and Doyle several times since I became Comptroller 6 months ago, and they are a valuable resource to me as I look across the spectrum of issues facing our national banks and federal savings associations. Michael, Doyle, thank you for reaching out to open up an ongoing dialogue with the OCC.

It's a pleasure to be here and to have this opportunity to share my thoughts – and hear yours – on the important role of Minority Depository Institutions in the United States. Your banks and thrifts provide vital financial services to consumers and communities that otherwise might not have access to a financial institution, and so your success is crucial to the viability of underserved neighborhoods in cities and towns across America. That's an important mission, and it's not an easy one.

It's not easy, because the communities you serve are among the hardest hit by the financial crisis. Unemployment is still high, the housing market is slower to recover, and

borrowers are economically stressed. And your success depends upon your ability to work closely with your communities and customers.

Of course, community banks of all kinds face significant challenges today. Smaller institutions don't have the kind of product and geographic diversification that helps large banks weather the ups and downs of the economic cycle, and this has been the most difficult economic environment of my lifetime. It's true that we're beginning to see hopeful signs of life in the economy, but that doesn't mean the road ahead won't have its share of bumps, whether they come from continuing problems in Europe or from setbacks here at home. Clearly, it will be important for banks and thrifts of all sizes to continue contingency planning to ensure they can deal with the possibility of problems ahead.

Another part of your planning will have to focus on the rulemaking process. Community banks and thrifts don't have the small army of lawyers and compliance experts that make it possible for larger institutions to digest the reams of new laws and regulations that come regularly from Congress and the banking agencies. But I can tell you that we are very sensitive to the needs of community institutions at the OCC, and we will do everything possible to make the workload manageable for small institutions. The fact is, most of the institutions we supervise are community banks and thrifts, and most of our resources are devoted to that work. We want community banks and thrifts to be able to thrive, and that means we have to do what we can to identify and eliminate unnecessary burdens. And so we take the needs of smaller institutions into account as we work through the rulemaking process.

The new Basel capital requirements present a different kind of challenge for community banks, a challenge that goes well beyond the size and complexity of the rule.

As I know you are aware, the proposed rule adds a new regulatory capital component, namely Common Equity Tier 1 capital, and increases the minimum tier 1 risk-based capital ratio. In addition, the proposed standardized approach would revise the risk weights for residential mortgages and increase capital requirements for certain commercial real estate loans, past-due loans and short-term commitments. References to credit ratings are being removed from our capital rules, in keeping with the provisions of Dodd-Frank.

I know that community banks are worried about the proposed capital requirements. They are worried that their capital requirements may rise, and they are worried that compliance may be difficult. We have spent a good deal of time analyzing the impact, and we believe that most of the community institutions we supervise already have enough common equity to meet the new tests. The OCC and the other bank regulatory agencies have developed a tool to help community banks and thrifts estimate their capital requirements under the proposed rule. The estimator tool is available on our web site at www.occ.gov, and I hope you'll find it useful.

As I noted earlier, while community banks of all kinds are facing difficult tests in the current environment, minority institutions face especially severe challenges. You do business in areas that other financial providers often ignore. Attracting talent and capital can be a challenge, and finding creditworthy borrowers can be difficult as well. The loans you book often have higher levels of risk, reflecting the critical role your institutions play in being the entry point for a business or a consumer in obtaining credit.

I read the letter that this group sent to President Obama earlier this year, and I was struck by the strong commitment it voiced for serving underserved communities, even at

the expense of increased earnings. “Simply put, MDIs are often the lifeblood of their communities,” you wrote. I agree wholeheartedly. You are committed to your communities, and that is why you continue to serve populations whose needs may not otherwise be met.

So, while you are all community institutions, you are far from being typical community banks or thrifts. That’s why your mission deserves special consideration and support. Congress has recognized that distinction in requiring the banking agencies, including the OCC for the first time, to offer special support to MDIs. We are doing many things at the OCC to provide that support, but I’d like to highlight one in particular.

We have almost finished the work necessary to set up the Minority Depository Institution Advisory Committee, an initiative that will bring together representatives from minority-owned banks and thrifts around the country with senior OCC leaders for regular conversations about the important issues facing your industry. This group will provide a forum for discussion of issues, and hopefully for recommendations to address the industry’s concerns.

The composition of the committee will be quite diverse, with banks and thrifts that represent various sectors of the minority community, including African-American, Asian, Native American, and Hispanic institutions. It will also include a large bank representative, which I think will prove very helpful. Our large banks can be a source of support for minority institutions, and we will be looking to that sector for creative approaches to a number of the problems minority institutions face, including funding and lending activities.

Many of the issues coming before the committee will be difficult, and they won't lend themselves to easy solutions. I don't think there's any surprise there. But I don't want this committee to shy away from tough issues. In fact, that's the principal reason for creating a group like this: to raise and address the difficult issues that aren't getting solved through existing channels.

On a number of the issues raised in your letter, I do think the OCC is doing a good job. For example, your letter to the President cites frustrations with the current system for classifying loans, and the process for appealing examiner decisions. I'd like to spend a few minutes on both issues.

First, the examination process necessarily involves judgment, and that's one reason we are so selective in our hiring and so rigorous in our training. We want examiners who can make decisions about how rules developed in Washington, most often through an interagency process, should be applied to individual institutions scattered across the country. We at the OCC do not believe that one size fits all when it comes to supervision, and so we tailor supervisory strategies to meet local circumstances.

Those of you who are supervised by the OCC have the benefit of all of the resources that a national organization can bring to bear, but you also have the benefit of our local presence – the examiners who live and work throughout the country, and who understand local conditions and the specific circumstances of each of the institutions they supervise.

For those of you who are national banks or federal thrifts, I would urge you to reach out to your portfolio manager and the assistant deputy comptroller for your area when you have questions or when you are looking for help. These are seasoned

supervisory personnel who live in and around your communities. They have the expertise and experience to provide technical assistance. They understand your local markets, and they are able to tailor supervisory strategies to meet your needs, consistent with safety and soundness.

Still, there will be times when legitimate differences of opinion over an exam decision will arise. I know that community banks generally worry any effort to appeal an examiner's decision will result in retaliation. I want to assure you that we have done everything possible at the OCC to keep that from happening.

Our Ombudsman is truly independent. He does not report through our supervision department, and he is empowered to make decisions, not just offer recommendations. If you haven't met Larry Hattix, then I hope you'll get an opportunity to do so soon. He's a real professional with good judgment and the courage to make decisions without fear or favor. In 2011, 25 percent of the cases decided by the Ombudsman were in favor of the bank, and 75 percent were in favor of the examiner. So, not every decision went with the supervised institution, but they didn't all go with the examiners either. And we have processes in place to guard against retaliation. Among them, the Ombudsman's office contacts appellant banks or thrifts six months after a decision is rendered to ask if they suffered any kind of retaliation. If the Ombudsman has reason to believe that retaliation occurred, he will refer a complaint for follow-up, either internally or externally.

While I hope you will never have reason to want to avail yourself of our appeal process, I also hope that, if you do, you won't hesitate to take advantage of it. We at the OCC are committed to fair and reasonable supervision that assures safety and soundness

while ensuring that individual institutions are treated fairly. That is especially true for the institutions represented in this room today, community banks and thrifts that serve as a beacon of hope in the most difficult markets in America.

Thank you. I'd be happy to take some questions now.