

Remarks by
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Thank you, John, for that kind introduction. It's a pleasure to be here with you today, although I think this is a hard day for all of us. Some of you may know that I'm from Boston, and that I return to my home there almost every weekend. So I found it particularly difficult to see the place I love scarred by such tragedy. My heart goes out to everyone who was injured or who lost a friend or loved one, and I am sure that each of you feels the same way. But in a larger sense, all of us lost something yesterday, since we feel a sense of community that goes beyond the physical boundaries of Boston.

Communities are about people who care for each other, and so I am glad to be among a group today that has dedicated itself to making communities stronger, particularly those communities that are home to the less fortunate among us.

For more than two decades, John has brought a level of commitment to financial empowerment that is truly remarkable. After the Los Angeles riots in April 1992, John spent the next two decades working through Operation HOPE to combat poverty by giving people financial management tools and encouraging entrepreneurship.

I'd also like to recognize Ceasar C. Mitchell, the President of the Atlanta City Council, and the leader of an effort to provide technical assistance and resources to 22 community groups to improve their neighborhoods. He is a champion for educating and

enriching the lives of city youths— to date, more than 4,500 middle and high school students and their parents have participated in his semi-annual College Prep Series.

In the area of financial literacy, Operation HOPE is doing very important work through its 20,000-member volunteer network. And, if you'll permit me, I'd like to say how proud I am that some of the volunteers in your programs are OCC staff who regularly take personal leave to participate in these financial education initiatives. In fact, later this week OCC staff will be volunteering at Francis Scott Key Middle School in Silver Spring, Maryland as part of Operation HOPE's Banking on Our Future program. They'll be teaching fundamental money management skills, including banking and credit management, to these students.

It's impossible to be here in Atlanta without feeling the spirit of Martin Luther King. This morning I toured the HOPE Financial Dignity Center, which memorializes the work of Dr. Martin Luther King, Sr. As a bank regulator, I was struck by the story of how Dr. King, after having been appointed pastor, helped the church navigate through the Depression. The severe economic downturn had taken a toll on the finances of the congregation, so much so that the lenders had padlocked the door to the Church. Dr. King negotiated with the lender and was able to refinance the mortgage so the church could reopen. So, I think it's fair to say that his financial management skills and leadership built a strong foundation that allowed the church to flourish and not only fulfill its spiritual mission, but expand its work in the community. Dr. King, Sr.'s financial acumen was recognized when he was named to the Board of Directors of the Citizens Trust Bank where he served for forty years.

So, it seems fitting that we are meeting here today 50 years after Martin Luther King wrote his stirring letter from a Birmingham jail cell. There are many messages to take away from that heartfelt letter, but one in particular resonated with me. Dr. King wrote, “Whatever affects one directly, affects all indirectly.” Although he wrote these words in an entirely different context, this thought reflects the aspirational goal of organizations like Operation HOPE that seek to strengthen the fabric of the community by educating individuals.

With the grand opening celebration for this Center last November, Atlanta became the ninth city to reap the demonstrable benefits of Operation HOPE’s holistic approach to achieve a “Silver Rights” agenda. From looking at an upcoming Calendar of Events, I saw that the programs run the gamut, from first time home buying to credit and money management, computer literacy, resume writing, and business fundamentals. This back-to-basics educational programming prepares individuals to meet their financial goals and build their careers.

One of the initiatives is intended to help individuals improve their financial profiles by making better choices. If they can raise their credit score, they’ll have access to better and more affordable products and services.

This initiative is tied to something I’m following closely, which is the ways in which new data sources are being mined to create scoring profiles for individuals who are using little or no credit. Credit scores were initially developed to allow lenders to evaluate loan or credit card applications. Today, credit scores are widely used for other purposes as well. They are often used to price auto and home insurance premiums, and landlords may rely on credit scores in deciding whether to rent an apartment.

Prospective employers may look at an individual's credit score as part of the hiring process. Unfortunately, individuals with poor credit may not be aware of how broadly their payment history can negatively affect them.

They also may not know what goes into their credit score or how to improve it. Individuals who have not yet established credit have an even greater challenge. They may be paying their rent on time and staying current on their cell phone bill, but because most landlords and utilities companies do not report satisfactory payment performance to the credit bureaus, these so-called "thin-file" individuals may not have enough history to populate the credit score model. One major provider of credit scores has indicated that 25 percent of the adult population—that's about 50 million Americans—fall into the thin-file or no-file category because their financial activities are insufficient to produce enough traditional credit data to generate a credit score.

There are a number of efforts by credit data companies to provide automated credit scoring solutions that make it easier for lenders to serve consumers with little or no credit history. By collecting data on utility, rent, and other payments that are not traditionally reported to the three major credit bureaus, an alternative credit score can be developed for those individuals. Recently one company rolled out a new credit scoring model that they believe will provide a credit score for up to 30 million more people than traditional credit scoring models do. They believe that this credit score model will be able to generate a score for 95 percent of thin-file applicants and 75 percent of applicants that have no traditional credit history on file.

As you can see, there is a lot of innovation in this space, but the hardest work remains. We don't have enough experience to understand the full implications of these

developments. Alternative credit scoring could make it even more critical that consumers understand how important budgeting and on-time payments are to building and maintaining a positive credit history. But this only underscores the importance of work being done by Operation Hope and others to help people better manage their finances and pay their bills on time.

Finally, the Community Reinvestment Act, which encourages financial institutions to serve the credit needs of their communities, can also play a role in financial literacy. Financial institutions can receive CRA consideration for providing grants or loans to nonprofit organizations that offer a wide range of counseling activities, such as credit counseling, homebuyer and home-maintenance counseling, financial planning or other financial services education. In addition, bankers can also help their institutions get CRA credit by offering their own expertise to teach financial education, or to provide technical assistance to help nonprofit organizations succeed in their mission.

CRA has been particularly helpful in foreclosure prevention, which has been extremely important to the OCC, especially over the past five years. Credit counseling to assist low- or moderate-income borrowers in avoiding foreclosure on their homes may receive CRA consideration.

A bank can also earn CRA consideration for activities that complement its own lending programs. Some banks have found that it is effective to contract with a community organization to provide home ownership counseling to low- and moderate-income homebuyers as part of their mortgage programs, and these partnerships are eligible to receive CRA consideration. A bank could also provide credit card counseling,

or the financial expertise of its executives, free of charge, to community development organizations.

At the OCC, we dedicate significant resources to help banks understand how they can meet their CRA obligations. I'd like to recognize the OCC staff who are here today—our team from our Atlanta Field Offices—Gil Barker, Dian Brown, Joel Palmer, and Karol Klim. They are the on-the-ground human resources from the OCC who help bring bankers together with community organizations. By conducting roundtables, training, and seminars they are able to highlight community development opportunities and bring participants together to address critical financial needs in the community.

Financial literacy is a vital part of helping communities and bank customers achieve their financial goals. As John put it, "Financial literacy is the new global civil rights issue of and for this generation, and financial dignity for all is the goal." That's a worthy goal, and I'm looking forward to our conversation today on how we can meet it.