

Remarks by
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before the
2016 National Interagency Community Reinvestment Conference
Los Angeles, California
February 9, 2016

Good afternoon, I'm delighted to speak at this conference again this year. My first order of business is to acknowledge the conference organizers from all the agencies as well as the experts who have taken time to participate on the panels. A lot of work goes into developing and running such a comprehensive program.

We all know that economic opportunity does not happen in a vacuum. Indeed, the pathway to economic opportunity is lined with people and organizations working to build better communities and improve the financial lives of low- and moderate-income individuals. We have much to learn from their work.

Over my 30-year career as a banking regulator, I have learned a lot from listening to the people who are affecting change in their communities. Last summer I met with a banker who described several barriers to financing homes and stabilizing neighborhoods in Detroit. The limited number of home sales there can make it difficult to find comparable sales needed for valuation of a property. Additionally, area home values may be so low that the cost to purchase a property and make needed repairs often exceeds the post-renovation market value. These and other market conditions have combined to bring mortgage financing to a near halt in Detroit. Other cities face similar problems.

I asked OCC staff to reach out to public officials, community groups, and bankers in order to get as much information as possible about these problems and to explore possible responses the OCC could consider. In response to concerns we heard in those and other conversations about the issue, the OCC drafted a bulletin, “Risk Management Guidance for Higher Loan-to-Value Lending in Communities Targeted for Revitalization.” This bulletin, which we expect to issue in the coming months, will provide guidance for OCC-regulated institutions that want to set up mortgage programs so that potential homeowners may be able to secure purchase or purchase/rehabilitation loans in excess of the supervisory loan to value, or LTV, limits. We expect that such programs will be focused on communities that have been officially targeted for revitalization.

Currently, interagency guidelines establish supervisory LTV expectations. Generally speaking, banks should not make single-family home mortgage loans that exceed 90 percent of the property’s value, unless the loan has appropriate credit support, such as mortgage insurance, readily marketable collateral, or other acceptable collateral. The interagency guidelines also establish that institutions may make exceptions to this supervisory LTV limit on a case-by-case basis, taking into account certain other factors. As set out in the draft bulletin, we believe that engaging in higher LTV lending on a programmatic basis also can be consistent with safe and sound lending while having a positive impact in stabilizing and revitalizing communities.

The conversations we had with stakeholders in Detroit spurred the OCC to explore how we could clarify existing guidance in an effort to address certain perceived lending barriers. I have found that the best ideas for improving economic opportunities spring from ongoing dialogue among interested parties in the community. As Comptroller, in addition to meeting with bankers on a regular basis, I meet with community organizations, consumer advocates, and

public officials to listen to their concerns and discuss ways to improve financial services and promote community development. Senior OCC staff, who also attend these meetings, have told me it is very helpful to hear these perspectives.

Bankers should also consult with stakeholders in their communities. I encourage them to reach out to local organizations to discuss issues of concern. It is important for banks to know if their financial products are the right fit for all the communities they serve, or to hear what can be done to tweak their products and make them more effective. Periodic meetings with key local stakeholders can also help pinpoint new business opportunities, identify potential partnerships with local community organizations and public agencies, and help a bank formulate its business strategy for meeting its Community Reinvestment Act obligations.

To encourage this kind of dialogue, the OCC hosts meetings that bring bankers together with community-based organizations and local agencies. In addition, the OCC hosts CRA training sessions for community development organizations that are designed to help them work more effectively with banks in their communities.

We also encourage the public to share their comments and concerns through the formal processes for public input to help inform the decisions we make when evaluating banks' activities. The OCC encourages public input regarding a bank's performance in meeting community credit needs, and considers comments that we get from individuals and community groups in the context of a bank's CRA evaluation. We also consider public comments on corporate applications, and when a bank files a notice that it intends to close a branch.

Anyone, at any time, can submit comments addressing how a bank is or may not be serving community credit needs, either by writing the OCC or the bank directly. These written

comments, as well as any response from the bank, are placed in the bank's CRA public file, and are considered by our examiners when we evaluate the bank's CRA performance.

Detailed comments filed before a bank's upcoming CRA evaluation are very useful to the OCC as we evaluate the bank's performance and reach our conclusions. By commenting, members of the public can provide different and important perspectives regarding local needs and how best to meet those needs.

We also conduct outreach sessions to enhance our understanding of community credit needs. As part of a CRA evaluation, an OCC bank examiner or Community Affairs Officer meets with local groups, government officials, or other community leaders. The information gathered from these conversations is considered during a bank's CRA evaluation and helps shape our views about the performance context in which banks are operating in their communities. Outside the context of any specific CRA evaluation, the OCC also conducts "listening sessions" to hear what local stakeholders have to say about community needs and opportunities and how banks are meeting community needs.

Individuals and organizations can also provide useful input when a bank files certain types of corporate applications, including applications to establish a new branch or relocate a main office or branch, or to merge with or acquire another financial institution. We welcome public comments on these types of corporate applications. In reviewing corporate applications, the OCC considers CRA performance by looking at the most recent performance evaluations of the applicant and, if applicable, the other involved depository institution. Typically, a bank needs to maintain at least a satisfactory CRA rating in order to secure OCC's approval of one of these corporate applications.

In addition to reviewing past CRA performance, the OCC also considers the convenience and needs of affected communities when evaluating a bank's application to acquire or merge with another insured depository institution, or to purchase branches from another insured depository institution. This forward-looking analysis evaluates how the bank will serve the community following the merger or combination. The OCC will also consider any comments from the public discussing the proposed corporate application. The OCC may, in some cases, decide to hold a public meeting to gather views from the affected communities.

The OCC may deny or conditionally approve a business combination application if the OCC determines that there are concerns regarding a bank's CRA performance or its ability to help meet the convenience and needs of the affected communities. The OCC recently has placed conditions on the approval of several corporate filings, based on our review of the application, related information, and the public comments we received. The conditions placed on these approvals have included a directive to the banks to submit a CRA plan addressing the concerns specified in the decision letter to the OCC for prior review and supervisory approval, after seeking input from the public in the areas that will be affected by the plan. The goals outlined in these CRA plans must be measurable and banks must track their performance against specific timetables.

Statutory protections also safeguard the public's right to know when a bank decides to close a branch. As more customers are served through online and mobile applications, we are seeing some banks closing branches. In 2015, the OCC received almost 1,200 notices of branch closures, while we received only about one-third as many applications to open new branches. As I mentioned earlier, a bank must notify regulators and the public of its intent to close a branch.

Although the OCC does not have statutory authority to prohibit a branch from closing, we do want to hear how that decision might affect community needs.

Public comment letters regarding a branch closure must be placed in a bank's CRA public file, as they relate to the bank's performance in helping to meet community credit needs. The OCC considers a bank's record of opening and closing branches—and the impact of a branch closure on the community—when we evaluate a bank's CRA performance. If a national bank that operates in more than one state decides to close a branch in a low- or moderate-income area, and the OCC receives public comments about the proposed closing, in certain cases we may hold a public meeting to explore the feasibility of obtaining alternative financial services in that area.

Because public comments are important to the OCC, particularly when they coincide with an upcoming CRA evaluation, or notice of a corporate application or branch closing, the OCC has taken steps to help ensure that the public is aware of these events, and has opportunities for input. The OCC publishes a list of upcoming CRA evaluations each quarter and a monthly press release provides details on recently concluded CRA performance evaluations along with the CRA ratings. Anyone can review a particular bank's CRA performance evaluation or rating on our Web site.

The OCC Licensing Manual, which can be found on the OCC's Web site—occ.gov, contains useful information about the branch closing process and about public comments on corporate applications. For example, our Licensing Manual explains that when a bank files certain corporate applications with the OCC, the bank must publish a notice in the local newspaper. The OCC also publishes a list of recently filed corporate applications along with information on how to comment on those applications in a Weekly Bulletin on our Web site.

Anyone may comment in writing on a corporate application during the public comment period, which generally lasts 30 days from when the application is posted in OCC's FOIA Reading Room. Recently, the OCC enhanced our Web site so the public can look up corporate application filings by the name of the institution. We also added an online tool, which allows the public to electronically submit comments on business combination applications, and to view comments provided by other interested parties.

The comments we receive from individuals and organizations are enormously helpful as we develop guidance, evaluate institution's CRA performance, and consider corporate applications. The public's views and perspectives are potentially an even more valuable resource to banks when they use that input to shape the products they offer and the community development efforts they undertake. Banks should encourage community feedback and consider that input in formulating their business plans and strategies.

In closing, I want to say thanks to all of you and your organizations for walking the path toward economic opportunity. Your continued engagement and work are critical components of the national effort to improve access to financial services and expand opportunities for community and economic development. I look forward to your questions.