

Remarks by  
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before the  
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Good morning. I'm honored to be here today with the Association of Military Bankers of America—a group with the important role of helping the men and women of our armed services and their families meet their financial needs so they can thrive on the home front as they defend our nation. I look forward to visiting with you because of my deep appreciation for the country's armed forces. I'd also like to congratulate General Lepper on his first year leading this important organization. We at the Office of the Comptroller of the Currency are proud to work with you in protecting the rights and interests of those who defend our country. The conversations we have at events like these help us improve our ability to ensure that national banks and federal savings associations operate in a safe and sound manner, provide fair access and treatment for their customers, and comply with applicable rules and laws.

As the United States' oldest federal regulator, we are steeped in history, but 153 years of experience teaches us to always look ahead. That's why your theme, "The Future of Military Banking," is right in our wheelhouse. I'd like to begin this year's "OCC Update" by talking about how the OCC is sharpening its focus on compliance. One of the lessons we—the industry and our agency—learned from the most recent financial crisis is that compliance management deficiencies pose safety and soundness

risks. We need to focus on compliance just as we focus on safety and soundness. They are two sides of the same coin and require dedicated staff and infrastructure to ensure the appropriate balance.

To that end, in March, Comptroller of the Currency Thomas Curry created a new senior executive-level department and named me the Senior Deputy Comptroller for Compliance and Community Affairs, or CCA for short. While we are still in the process of standing up the function, the basics are in place. The new OCC unit brings in two existing divisions from other departments, Compliance Risk and Community Affairs, and establishes a third related division, Compliance Supervision. These units will coordinate all aspects of compliance-related oversight and work closely with examiners in other bank supervision units of the OCC. As a whole, CCA will provide effective policy guidance and supervision to promote the safe and sound operation of banks, fair access and treatment for consumers, and responsible community reinvestment.

In this new role, I report directly to the Comptroller. This realignment reflects his view of the importance of compliance in our overall mission, and I'm proud to share in that task.

The work we face has a direct impact on the financial services provided to members of our armed forces and to the business you conduct. Compliance with the Servicemembers Civil Relief Act, for example, has been an area of progress and challenges. SCRA provides service members with specific protections because of the unique conditions of their service to our country. Since we added SCRA compliance to the mandatory exams of all national banks and federal savings associations, we have seen a dramatic decrease in issues related to SCRA compliance.

But the news isn't all good. There are still too many instances of banks, or their outside vendors, failing to ensure that service members and their families receive the protections that the law requires. Recent headlines regarding aggressive collection methods and inappropriate asset seizures highlight the need for additional work. Let me stress that, more than being against the law, it is just sad that some

would knowingly or through failure to implement effective controls allow service members—who are willing to sacrifice themselves for the freedom to conduct the businesses we do—to be taken advantage of. They deserve better.

Protections like the SCRA have an impact on our national security. They allow service members to give their full attention to their mission, even halfway around the world in hostile places. It's difficult to check the mail and work on your mobile app patrolling the streets of Kabul. Getting an urgent message from home about a mortgage or car loan while in the middle of the ocean or desert can distract even the most disciplined soldier, sailor, airman, or Marine.

There are a couple of key things banks can do. One, banks need to perform due diligence on, and then carefully monitor, any contractors they hire or partner with to provide products or services. I understand that more and more banks of all sizes use third-party providers to meet or supplement a particular capability. The use of these third parties can save money, expand markets, or reduce other burdens. But at the end of the day, banks are responsible and will be held accountable for failures and abuse in the products and services they offer—even those delivered by third-party vendors.

Two, we need to do a better job identifying military borrowers. The Military Lending Act highlights just how important this fundamental activity is, and on October 3 most of the new requirements under the MLA take effect. Previously, the MLA applied to certain defined payday loans, motor vehicle title loans, and tax-refund anticipation loans, with particular terms. The amended law expands its coverage to nearly all consumer credit covered under the Truth in Lending Act. This includes credit cards, most installment loans, and deposit advance products, among others. Compliance in offering those products and services begins with identifying borrowers who are entitled to these expanded protections.

We are still working through the implementation of these changes. We have been coordinating with other federal financial regulators to make enforcement of these rules uniform across the agencies, and we welcome your questions and feedback in facilitating this process.

Shifting gears a bit, the creation of my unit, CCA, is not the only change occurring at the OCC. One area that has received a good deal of attention involves our initiative on responsible innovation. We recognize that innovation is how national banks and federal savings associations will remain a vibrant part of the financial system and continue to meet the needs of the customers they serve. But banks and thrifts must balance the promise of new financial products, services, and processes with the risks they present. At the same time, the OCC must improve its processes for identifying and assessing innovation affecting the federal banking system.

That's why the OCC launched its initiative aimed at making certain that institutions with federal charters have a regulatory framework and supervision necessary to support responsible innovation. In developing this framework, we want to make sure we have a complete picture of emerging technology and new approaches to financial services.

Our team held a series of discussions with a broad spectrum of interested parties throughout the latter half of 2015 and the first quarter of 2016. The insights from those conversations led to our white paper, released in March, which sets out clear principles that we are using to develop our framework.<sup>1</sup> These principles include fostering a culture at the OCC that is receptive to safe and sound innovation and encourages its integration into the strategic planning of the institutions we supervise; promoting dialogue; and collaborating with other regulators.

To further the discussion, the OCC hosted a responsible innovation forum on June 23. The forum brought senior OCC staff together with bankers, members of the financial technology community,

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<sup>1</sup> See "Supporting Responsible Innovation in the Federal Banking System: An OCC Perspective." March 2016 (<http://www.occ.gov/publications/publications-by-type/other-publications-reports/pub-responsible-innovation-banking-system-occ-perspective.pdf>).

consumer advocates, academics, and other regulators to exchange perspectives on the opportunities and challenges of financial services innovation. I had the pleasure of moderating a panel on partnerships between fintech firms and banks, which offer great potential for improving access to financial services for the 68 million under-banked and unbanked consumers in our country. Participants shared their diverse insights on the nuts and bolts of implementing innovations, and provided us with a 360-degree view of the issues. We intend to use those insights as we finalize our framework this fall.

Banks and thrifts that innovate responsibly will continue to serve as sources of strength for the nation's economy and the communities they serve. Failure to innovate will reduce institutions to historical footnotes, and nobody wants to be a footnote. Institutions that offer faster, easier, and lower-cost ways for consumers to take charge of their financial affairs are the ones who will separate themselves from the pack. They are the ones families will rely upon, and that includes the families of our uniformed armed forces. In fact, military families may turn out to be early adopters of new services delivered through innovative technology, because they are often geographically separated from their bank of choice. And, because many service members and their families are just beginning their adult financial lives, I appreciate the work of many in the room today to promote financial literacy among service members whose first experience with banking may be setting up direct deposit at the start of basic training.

Innovation is about more than technology. It also involves looking at how regulatory policies can enable more responsible and inclusive financial services. One innovation through policy involves the agency's guidance on high loan to value lending. In December 2015, the OCC announced its intention to issue risk management guidelines that will allow banks to offer home loans that exceed supervisory limits in areas targeted for revitalization. Such lending can attract homeowners, help them build equity, and make communities more livable. As regulators, we understand the risks of HLTV loans, but we

believe that in limited, board-approved programs, these risks can be managed. Such programs may help you with lending in areas with large military populations that may also be targeted for revitalization, and they may help satisfy the need for affordable housing for military families in those areas.

I want to close by thanking you for your work and the support you provide to the men and woman of our armed forces. By ensuring that financial services support our military members and family, you help satisfy the sentiment attributed to President Washington in the words “The willingness with which our young people are likely to serve shall be directly proportional to how they perceive veterans of earlier wars were treated and appreciated by our nation.” Thanks again, and I look forward to your questions.