Remarks of

Barry Wides

Deputy Comptroller for Community Affairs

Office of the Comptroller of the Currency

before the

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Good afternoon and welcome to Constitution Center. It's hard to believe it's been more than five years since the legislation creating the State Small Business Credit Initiative was enacted. This is the third year that we've hosted the conference here at the Office of the Comptroller of the Currency. It's great to see so many of you returning to join the discussion, and to welcome those of you that are here for the first time. We take a great amount of pleasure in hosting this conference. I want to thank Jessica, Jeff, James, and the rest of the SSBCI team for their skill and diligence in putting this conference together. They make it all look easy.

The conference planners have done their bit, but the real value of the conference comes from you—the attendees. As we have seen in past conferences, you will all share best practices and success stories. You will learn valuable lessons from the challenges your colleagues have confronted and overcome. You will explore new paths forward. Sharing ideas with people as knowledgeable and passionate as you are can be a powerful way to recharge and look at things in new ways.

The SSBCI has been a very effective program, and I understand you will be talking a lot about the program's successes over the next couple of days. I'd like to

highlight two interrelated points that, from our perspective at the OCC, illustrate the success of the program.

First, the SSBCI has reached its intended target—the small business borrower who struggled to obtain credit in the wake of the financial crisis. When Congress enacted the Small Business Credit Act in 2010, small business lending had contracted sharply, particularly for smaller loans secured by real estate. Tighter credit standards also made it even more difficult for start-up businesses to obtain credit. The last published annual summary report on SSBCI lending illustrates how SSBCI has done a very good job of meeting the needs of those credit-worthy small business borrowers that found it hard to obtain credit. Nearly two-thirds of SSBCI loans were for less than $100,000. Eighty percent of SSBCI loans went to businesses with 10 or fewer employees. More than half of the financing went to businesses that were less than five years old, and 42 percent of the loans were to businesses and entrepreneurs located in low- and moderate-income communities.

Second, is the SSBCI's creation of an infrastructure to do this work on an ongoing basis through engaging and bringing together a network of institutions. Community banks have done the lion's share of SSBCI lending. Their knowledge of local conditions and borrower character is critical to successful small business lending. The SSBCI also encouraged significant participation by Community Development Financial Institution (CDFI) loan funds, which have deep connections and specialized expertise in meeting the credit needs of underserved populations. CDFIs also have a strong track record of providing technical development services to small business borrowers. Bringing these institutions together in the small business lending space expanded a much-needed source

of credit to qualified borrowers that traditionally had not been well-served. These partnerships also provided a pathway for entrepreneurs to move up to the traditional bank financing space by establishing successful track records and credit histories, and building equity in their business.

As you consider the future strategic direction of your programs, you might consider how the existing partnerships between state agencies, community banks, community development loan funds, and technical assistance providers can be strengthened and sustained. Do the incentives in your programs make a deal more likely to happen and effectively leverage local resources? Will your program design continue to build and sustain the network of institutions that are filling critical gaps in credit availability for existing small businesses and new entrepreneurs? Even if your program is very successful, is it time to look around and see what adjustments you can make to do more lending or reach unmet needs?

Every small business lender has a niche in terms of the size and volume of its lending, the level of risk it is willing to take on, and the types of businesses it is willing to serve. Some are market-based lenders competing for customers and profits, and others are mission-based lenders executing social benefit strategies. Making this marketplace of lenders work for traditionally underserved customers is where partnerships can be particularly useful. The Community Reinvestment Act (CRA) provides incentives for banks to invest in mission-oriented lenders, to build their capacity, and to connect mission- and market-based lenders more effectively. Banks can receive CRA consideration for loans to or investments in financial intermediaries, such as CDFIs, Community Development Corporations, and community loan funds that lend to, or invest

in, or provide technical assistance to start-ups or recently formed small businesses. I understand that at least two of the intermediaries executing the SSBCI are pursuing CDFI certification. Banks also can receive CRA consideration for providing technical assistance to help community-based partners improve their effectiveness, for example, by providing services, such as developing loan application and underwriting standards, lending employees, or providing accounting or bookkeeping services. Loan referrals may receive CRA consideration if it is the bank's policy to refer "second chance" loans to a community-based lender after the bank reviews the borrower's eligibility for bank financing. These are just a few examples showing how banks can foster partnerships.

Five years ago in the early days of the SSBCI, we worked very hard to encourage banks to participate in the program and to educate them about the opportunities that SSBCI could deliver. Whether or not your programs stay connected to the SSBCI, I encourage you to maintain relationships with the OCC, the FDIC, and the Fed, through headquarters or through field offices. The regulatory agencies can help you market your program to lenders. We would also like to keep you, the banks, and others involved in the broader ongoing conversation about access to credit for underserved communities.

I wish you all success in your efforts and hope you have a very productive conference over the next two days.