

Remarks by
Thomas J. Curry
Comptroller of the Currency

Before the National Community Reinvestment Coalition

Washington, DC

March 29, 2017

Good morning. I'd like to begin by thanking John for that very kind introduction. Our professional relationship goes back a long way—we've been sharing perspectives on community reinvestment since my time as Commissioner of Banks in Massachusetts. During my five years as Comptroller of the Currency, John has been a steadfast advocate for expanding access to financial services, housing opportunities, and investment in underserved communities. The OCC shares these goals, and, by working closely with the member organizations of the National Community Reinvestment Coalition, we can do even more to promote the vibrant and diverse banking system our economy depends on, so that it can better serve the needs of consumers, businesses, and communities throughout the nation.

In the last five years, the OCC has devoted a great deal of effort not just to mitigating the fallout from the last financial crisis, but to preventing a recurrence. To this end, we have redoubled our efforts to improve our supervisory processes, including those that ensure fair access for consumers and small businesses and fair treatment of bank customers.

This renewed emphasis reflects a lesson that has become increasingly clear: that safe and sound banking operations and fair treatment of customers are both necessary and interdependent. This is expressed in the OCC's mission statement: "To ensure that national banks and federal

savings associations operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations.” In other words, banks cannot function safely and soundly unless they treat customers fairly and adhere to legal requirements, including consumer protection laws. And in a competitive and changing environment, the most successful banks will be those that provide fair access to all potential customers, including individuals outside the financial mainstream. It is also what their customers demand.

Three decades as a banking regulator have taught me that devoting appropriate resources to ensuring compliance with consumer protection requirements is just as critical for regulators as it is for financial institutions. With that in mind, a year ago I established a new executive-level department, headed by Senior Deputy Comptroller Grovetta Gardineer, that brings together policy, supervision, and community outreach in the areas of consumer compliance, fair lending, Bank Secrecy Act/anti-money laundering, and the Community Reinvestment Act (CRA). The new department, “Compliance and Community Affairs,” or CCA, allows us to leverage agency resources to sharpen our focus on these issues, make our priorities clear and consistent, and streamline our communications with other regulators and organizations.

CCA has three divisions. Compliance Risk develops consistent policy, guidance, examination procedures, and examiner training related to CRA, fair lending, and other compliance issues throughout the examination units. Compliance Supervision applies an integrated risk-based approach across all of the OCC’s supervision activities. It is responsible for the agency’s supervisory strategies related to compliance and partnering with the agency’s other units that are responsible for evaluating safety and soundness. The third division, Community

Affairs, continues to support banks' CRA efforts and provide outreach to bankers and community-focused organizations on a broad range of issues.

Already, this new business unit is making the CRA examination process more efficient and timely. We have taken steps to implement the latest CRA guidance and provided training for our examiners as well as bankers and community organizations. A review of examination procedures is under way to identify policy and process improvements, and we are developing new examination tools to support more rigorous and transparent evaluations of CRA compliance.

Another top priority for me as Comptroller has been establishing a framework for encouraging responsible innovation in the federal banking industry. Since 2015, the OCC has been conducting research and engaging in discussions about innovation and financial technology, or fintech, with banks and other companies, community and consumer groups, academics, and other regulators to lay the groundwork for this effort. Our primary reason for developing this framework is to ensure that the federal banking system can continue to adapt to meet the needs of bank customers and to harness the potential for responsible innovation to promote fair access and financial inclusion. I spoke with you last year about this potential, as well as its limitations, and the takeaway hasn't changed: Innovation and new technologies offer the promise of great improvements in access for those who need it most, but apps are no substitute for a bricks-and-mortar presence in a low- to moderate-income community.

In October, I announced the OCC's framework for responsible innovation and established the agency's Office of Innovation to be the central point of contact and clearinghouse for requests and information related to innovation. Office of Innovation staff will conduct outreach and provide technical assistance, and will hold office hours in cities with significant interest in

financial innovation to make candid regulatory advice more accessible. The office will promote awareness and training among OCC employees to improve our understanding of these important issues, and lead our collaboration with other regulators, foreign and domestic. The Acting Chief Innovation Officer is busy fully standing up that office, and over time I think it will prove to be a valuable resource for banks, communities, and fintech companies. I encourage you to engage with this office on innovative financial products.

The agency also recently published a draft of a supplement to our licensing manual for comment that provides additional detail on how the agency would evaluate applications for national bank charters from fintech companies, describes how the agency would supervise these banks, and articulates expectations for how these banks would ensure fair access and fair treatment for all customers. The supplement also documents our expectation that an applicant that intends to engage in lending or provide financial services to consumers or small businesses would include a financial inclusion plan as a component of its business plan in its application. The nature of the commitment would depend on the entity's business model and the types of products or services it intends to provide. The OCC will include in a preliminary conditional approval of any special purpose national bank charter with a business plan that includes lending or providing financial services to consumers or small businesses an enforceable condition that will require the bank to implement its financial inclusion plan.

The supplement does not establish any new authority, a new charter, or new policy. It builds upon current authority, rules, guidance, and processes that exist and can be applied to chartering and supervising fintech companies engaged in the business of banking. Although, the OCC typically does not solicit comments on procedural manuals and supplements such as this, we wanted to remain consistent with our guiding principles of transparency and fostering open

dialogue with stakeholders, so the OCC will accept comments on this document through close of business April 14.

Taken together, these two organizational changes will improve the OCC's ability to respond to forces that are reshaping the financial services industry. Our aim is to ensure that federally chartered banks offering financial solutions powered by innovative technology meet our expectations for compliance and fair access and operate in a safe and sound manner. Our overarching goal is to ensure that 21st-century banks have 21st-century supervision.

Ensuring that the federal banking system is composed of institutions that effectively serve customer needs begins before we begin to supervise. For instance, when the OCC reviews a bank's application to merge with or acquire another institution, or to establish a new bank with a national bank charter, we consider the effects of the proposed business action on the convenience and needs of the community to be served. For depository institutions, of course, we take into account the CRA performance record of the banks involved. We look at the addition of new products and potential changes in the products and services offered, and we analyze whether there will be changes in the availability of services, such as extended hours or the addition of branch locations. We also carefully evaluate the public comments we receive, as well as the bank's responses to those comments, and I want to acknowledge the NCRC's active engagement in commenting on corporate applications.

When appropriate, the OCC imposes enforceable conditions on the approval of a merger or acquisition application or other licensing approval. In several cases, the OCC has directed applicants to submit CRA plans with well-thought-out, measurable strategies to address specifically-identified issues relating to CRA compliance or community needs. We expect these

required CRA plans to reflect careful consideration of community needs and input, identify opportunities, and address concerns raised by stakeholders.

The OCC views fair access as a broad concept. It covers who is being served, what financial services are provided, and where or how they are offered. To ensure fair access, banks have to understand what their customers need and tailor their services to meet those specific needs. Fair access involves more than simply having a physical bank presence. Responsible products and services should be designed to ensure that they do not cause consumer harm. The financial needs of customers in all walks of life should be met, including individuals outside the financial mainstream. Banks that reassess their product offerings and understand who their customers are and how to expand their customer base by promoting financial inclusion will be the ones most likely to thrive and succeed.

Correspondingly, our CRA evaluations recognize that alternative delivery systems for financial products and services can offer customers added convenience and expand access. Last year the federal financial regulatory agencies revised the CRA “[Questions and Answers](#)”¹ to address issues related to innovative financial services and how fintech-enabled alternative delivery systems are considered. The central question in determining CRA consideration is how well alternative delivery systems serve low- and moderate-income geographies and individuals. Banks should be able to demonstrate that alternative delivery systems are accessible and effective in delivering financial services, particularly those that help meet identified community needs. A variety of factors will be considered, including ease of access, whether physical or

¹ “Questions and Answers Regarding Community Reinvestment,” July 25, 2016 (www.gpo.gov/fdsys/pkg/FR-2016-07-25/pdf/2016-16693.pdf).

virtual; the cost to consumers, compared with the institutions' other delivery systems; the range of services delivered; the ease of use; the rate of adoption; and the reliability of the system.

The revised CRA Questions and Answers also address concerns we have heard about using alternative data sources to establish credit history, such as checking accounts, utility payments, and rental payments. The revised guidance cautions that CRA consideration is only appropriate for the use of alternative credit histories that are consistent with safe and sound banking practices while benefiting creditworthy low- or moderate-income individuals who would otherwise be denied credit.

To sum up, I'm proud of what we have accomplished at the OCC and steps we've taken to ensure the agency can succeed in this important part of its statutory mission. The OCC has an organizational structure prepared to meet the supervisory challenges of the future. We have sharpened our focus on compliance and consumer protection in a landscape of rapid technological change. We have broken new ground with enhanced compliance policies and enforcement to ensure that vulnerable consumers are treated fairly. We assess community needs when considering merger and acquisition applications and, where necessary, imposed conditions to address fair access and fair treatment through the implementation of CRA plans, when appropriate. Also, through our outreach efforts we continue to work closely with bankers and community-focused organizations to build awareness about community and economic development opportunities. In this vein, the OCC recently published a community developments newsletter focused on multifamily affordable housing.

I want to say that, in the middle of such change and potential future developments, one thing that does not change is the OCC's commitment to a safe and sound banking system that

protects the rights of bank customers. That is part of the bedrock of our mission, as it has been for 153 years—stable banks, strong communities, and fair access to financial products and services. With the time remaining now, I'd be happy to take a few questions. Thank you.