Remarks

by

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on the

The Promise of Project REACh
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I would like to thank all of you for being here today, but especially the members of Project REACh for your continued support for and commitment to the goals of this important initiative.

I want to start today by talking about how rising to challenges can define us.

Project REACh was conceived in the aftermath of the murder of George Floyd. Many Americans had their eyes opened to longstanding inequalities and were searching for ways to help. The OCC established the Roundtable for Economic Access and Change (Project REACh) and tapped into leaders' commitment to come together with shared purpose to tackle tough problems.

Since then, the stakes have become clearer. Economic inequality is not just a social justice issue, it threatens the fabric of our society. On this one-year anniversary of Project REACh, this challenge is worth re-exploring. I believe now is the time to aim higher, to push harder, and to double down on Project REACh—to reaffirm the need to be transformational, not transactional.

Economic inequality has been rising in the United States for decades. The income gap between upper income and lower income households has nearly doubled since 1970.[1] The wealth gap is even more stark, with lower income household wealth *falling* between 1983 and 2016, while median upper income household wealth has doubled to more than 70 times that of lower income households.[2] Homeownership, which is key to wealth creation in the U.S., has followed a similar pattern, with the racial homeownership gap between Blacks and Whites *widening* to its highest level in 50 years.[3] Structural forces reinforce the problem. According to one study, homes in majority Black neighborhoods are valued at roughly half the price of comparable homes in neighborhoods with no Black residents.[4]

The pandemic has accelerated these trends. Vulnerable and underserved communities have endured disproportionately higher unemployment rates and business closures. The gap in financial well-being between White adults and Black and Hispanic adults grew by 4 percentage points since 2017. More than a third of Black and Hispanic adults reported doing worse financially than prior to the pandemic.[5]

At the same time, we are learning that the financial system can *perpetuate* inequality. For instance, traditional credit scores, traditional overdraft practices, and predatory lending make it

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[1] Pew Research Center, January 2020, "Trends in U.S. income and wealth inequality | Pew Research Center". Importantly, the share of U.S. aggregate income by middle income households plummeted from 62% to 43%, offset entirely by an increase from 29% to 48% by upper income households. In short, the rich have not only gotten richer, their slice of the pie has increased substantially.

[2] Ibid. The median lower income household wealth fell from $12,300 to $11,300, while the median upper income household wealth increased from $344,100 to $848,400.

[3] Federal Reserve Bank of St. Louis, FRED Economic Data. The homeownership gap between Blacks and Whites, which was 26.5% in the first quarter of 2001, widened to 28.7% in the first quarter of 2021.

[4] Andre Perry, Jonathan Rothwell, and David Harshbarger. "The Devaluation of Assets in Black Neighborhoods." Metropolitan Policy Program at Brookings. November 2018.

[5] "Economic Well-Being of U.S. Households in 2020." Board of Governors of the Federal Reserve System. May 2021.

expensive to be poor, while wealthy clients can borrow and access a wide range of financial services at lower cost.

These dynamics reinforce each other—the poorer you are, the harder and more expensive it is to participate in the economy, which keeps you poor. And vice versa. The wealthier you are the easier it is to participate and take advantage of opportunities in the economy, which begets more wealth. This risk of locking people in undermines our society's core values.

To reverse these trends, we need to substantially increase financial inclusion, which is the focus of Project REACh. And we are not alone. President Biden has identified financial inclusion as a top priority, as has Treasury Secretary Yellen and other government leaders.

Project REACh's structure and approach is worth highlighting because it is, in my experience, quite unique. REACh enables two things that otherwise might not happen: collaborative problem identification and problem solving, and incubation of ideas and pilots by business and community representatives that can later be implemented on a broader scale than possible by any one institution.

The OCC's role is as convener. We provide the space and the coffee (thus far, virtually). The heavy lifting is done by the REACh participants—spanning civil rights and community groups, banks, and tech companies—working collaboratively. They collectively determine which problems to tackle and which solutions to pursue. This helps bring the best ideas to the forefront. The OCC is careful to avoid endorsing specific products or any particular strategy. We don't pick winners and losers. Our role is to facilitate and accelerate solutions to improve financial inclusion.

The results and accomplishments of REACh's first year are impressive. Examples include increasing down payment assistance for potential homebuyers, establishing technical assistance and special purpose credit programs for minority-owned businesses, getting nearly two dozen banks to commit to investing in and building relationships with minority-owned depository institutions, and conceptualizing and piloting new approaches to assessing the creditworthiness of the millions of Americans who have little to no credit history and have been left out of the system as a result.

To me, these accomplishments provide hints of the potential of Project REACh. I believe REACh can do more than just meet a moment. I believe it can be transformative and help reverse the harmful trends noted earlier.

Imagine if we could eliminate *all* credit invisibles by using alternative data and significantly expand who can get a mortgage, buy a car, and start a business. Imagine if the capitalization of mission-driven, minority depository institutions was increased so they could meet *all* of the credit and financial services needs of their communities. Imagine if the financing and procurement opportunities for minority- and women-owned businesses were plentiful enough to meet today's demand and to inspire tomorrow's would-be entrepreneurs to seize opportunities and take risks they otherwise might not. Imagine if down-payment assistance were available to *all* homebuyers in underserved communities and the inventory of affordable housing were dramatically increased.

That would be a financially inclusive world. That is our shared vision.

I believe this world is achievable. Not through magic bullet solutions, but through working shoulder-to-shoulder, collaboratively, with a shared vision and commitment to financial inclusion, and by setting concrete, ambitious goals along the way. In this vein, I have asked the REACh workstream leads to work with their teams in devising "moonshot" goals for the next two years of Project REACh—goals that will motivate and inspire action and outcomes that underserved communities will be able to feel, that will make a difference.

I have been impressed by what Project REACh participants have accomplished over this past year and believe that the potential of this effort is great. As REACh expands and matures, my hope is that it continues to attract those who want to join us in meeting the challenge of transformative outcomes and that the members aim high for the coming year.

Thank you.