

Acting Comptroller of the Currency Michael J. Hsu
Remarks to the
2022 Community Development Bankers Association Peer Forum
June 9, 2022

Good afternoon. Thank you, Jeannine and Kent, for inviting me to join your annual gathering of Community Development Financial Institutions and Minority Depository Institutions—or, as we refer to them, CDFIs and MDIs. I'm pleased to have this chance to discuss the issues facing your institutions, which are critical to the economic vitality and financial wellbeing of the low-income and underserved individuals, families, and small businesses in the communities you serve.

To set the stage, I would like to open with a quote from Alan Paton's book "Cry the Beloved Country," which is set against the backdrop of apartheid in South Africa. I remember reading it in high school, and one quote in particular always stuck with me. Theophilus Msimangu, the Black priest acquaintance, is helping the protagonist, Stephen Kumalo, and he notes somberly:

“I have one great fear in my heart, that one day when they are turned to loving, they will find that we are turned to hating.”

Paton understood that good intentions and even good actions are not enough. Timing matters. The Covid-19 pandemic and the murder of George Floyd opened many people's eyes to social injustices and the depth and persistence of economic inequality in the United States. However, as things begin to return to normal, I fear that the window for transformative change is closing. And it is closing at a time when the economic outlook is increasingly uncertain, with higher interest rates and a potential recession on the horizon. The communities with the most

limited access to capital, credit, and responsible financial services are at risk of bearing the brunt of that economic uncertainty. Again.

Fortunately, initiatives to revitalize MDIs and increase investments in CDFIs are well underway. I will say a bit more about these in a moment. With Paton's quote in mind, though, I want to add a sense of urgency to these efforts. We have an opportunity to make the banking system work for all communities and people, in a way that it hasn't for generations. If we can accomplish this, underserved communities and their local economies will be more resilient and more assured that the banking system and government are working for them, rather than against them.

The Important Role of CDFIs and MDIs

CDFIs and MDIs are critically important to providing the mortgage credit, small business lending, and other banking services to minority and low-to moderate-income (LMI) communities. In many communities with limited access to capital, credit, and financial services, your institutions serve as their only true access to affordable and responsible banking services. Your institutions are on the ground—in your communities—doing the work to help every day Americans become a part of the mainstream financial system.

In good times and bad, you are on the frontlines serving the needs of low-income, minority, rural, and other underserved communities. In these communities, you are trusted partners.

This was recognized by Congress when it authorized the U.S. Department of the Treasury to administer the \$9 billion Emergency Capital Investment Program (ECIP). ECIP was established in recognition of the disproportionate impact of the pandemic on vulnerable communities and communities of color, and the special role that CDFIs and MDIs play in

servicing them. In all, 57 percent of bank awardees are Community Development Bankers Association (CDBA) members, which reflects your commitment to providing financial services for the small and minority-owned businesses and consumers in the low-income and underserved communities.

Today's Challenges

Today, in communities across the country, CDFIs and MDIs are needed more than ever.

Black and Hispanic adults—13 and 11 percent, respectively—were more than twice as likely as adults overall not to have bank accounts, according to a Federal Reserve study.¹ Also, higher shares of low-income adults with bank accounts paid overdraft fees on insufficient bank balances. These issues can lead unhappy and unbanked customers to turn to high-cost payday lenders that can trap them in endless cycles of debt.

These communities also struggle with a persistent and wide racial wealth gap.² This has for too long prevented millions of potential, minority homebuyers from owning homes. The pandemic made matters worse. A housing shortage and soaring home prices resulted in the 65 percent of Americans who own homes gaining an unprecedented \$6 trillion increase in housing wealth since 2020.³ Now, minority homebuyers face an even wider homeownership gap.⁴

¹ [Economic Well-Being of U.S. Households in 2021 | Board of Governors of the Federal Reserve System](#). The report examines the financial lives of U.S. adults and families. The report draws from the “2021 Survey of Household Economics and Decisionmaking,” or SHED, which was conducted in October and November of 2021—before the increase in COVID-19 cases from the Omicron variant and other changes to the economic landscape in 2022.

² See [Trust in America: How do Americans view economic inequality? | Pew Research Center](#) (January 5, 2022).

³ See [Households; Owners' Equity in Real Estate, Level\(OEHRENWBSHNO\) | FRED | St. Louis Fed \(stlouisfed.org\)](#) (March 2022).

⁴ *Ibid.* The white homeownership rate is 30 percentage points higher than that of Black households. [2022 Snapshot of Race and Home Buying in America | National Association of Realtors](#).

Revitalizing CDFIs and MDIs

The OCC is committed to revitalizing MDIs and CDFIs. We are doing so in a variety of ways—both on our own and in coordination with others. This is a priority that I am personally strongly committed to.

First, we're doubling down on Project REACH. In July, the OCC is gathering participants—large and small—at OCC headquarters in Washington, D.C., to discuss new partnership opportunities and to set new goals for the initiative's third year. Second, the OCC, in partnership with our interagency partners, in May released for public comment our long-awaited, joint CRA notice of proposed rulemaking.⁵

The goal of these two efforts is to reduce persistent racial inequities by expanding financial inclusion, credit, and other banking services in low-income, minority, and underserved communities. These are the communities that CDBA-member institutions serve, so I'll explain each and how you can help.

Project REACH

Let me first describe the Roundtable for Economic Access and Change, or Project REACH. Two years ago, the OCC launched Project REACH to reduce the barriers that prevent full, equal, and fair participation in the nation's economy. To tackle these barriers, Project REACH's national effort is divided into four workstreams. I'll focus on the revitalization of MDIs workstream this afternoon.

Revitalization of Minority Depository Institutions

The Project REACH Minority Depository Institution Workstream is addressing the challenges MDIs have long faced in accessing capital and meeting the needs of their customers.

⁵ OCC Bulletin 2022-14, "Community Reinvestment Act: Interagency Notice of Proposed Rulemaking to Implement the CRA," May 5, 2022.

These challenges have caused many MDIs to close, fail, or be acquired by bigger banks. This makes the remaining MDIs even more important because they often are the only financial institution fulfilling the financial needs of their minority communities.

To counter the decline of MDIs and strengthen those that remain, Project REACH challenged large and midsize banks to sign a pledge to revitalize MDIs with capital investments, technical assistance, business opportunities, executive training, and other resources.

Two dozen banks stepped up and signed the pledge. They have provided capital infusions, loan participations, advice and counsel for MDI boards of directors, and the chance to form revenue-generating partnerships. This has helped MDIs enhance their capital positions, reduce costs, improve their technology services and customer outreach, and expand homebuyer down payment assistance and other important consumer programs.

One MDI that has formed partnerships is Carver Federal Savings Bank, one of the nation's largest Black-owned banks. Since its founding in 1948, Carver has served the Harlem community in New York City.

Carver received more than \$30 million in capital infusions from large banks when Project REACH launched and announced its MDI pledge. Carver President and CEO Michael Pugh said not all was a direct result of the MDI pledge, "but Project REACH raised the visibility of MDIs and accelerated discussions happening at leadership tables of large banks and definitely influenced their decision to invest in MDIs."

Carver also received technical and consulting support from a collaboration between Citibank, Deloitte, and the National Bankers Association. Without this support, Carver could not have accessed or afforded Deloitte's consulting services. The consultations led to new

conversations, options about new technology services and marketing programs, and a new financial literacy program for young Black adults.

I believe this holistic approach—which builds and nurtures relationships, not just transactions—is critical to ensuring that revitalization gains are sustained over time.

One final note on Project REACH is in addition to the national workstreams, in late 2020 the OCC launched Project REACH’s first locally focused initiative in the Los Angeles regional area. Because this group, called LA REACH, made good progress in identifying and finding local solutions for local problems, the OCC has sponsored local REACH initiatives in other cities, including Detroit, Dallas, Washington, D.C., and Milwaukee.

Community Reinvestment Act

Turning to the CRA, the recently released joint Notice for Proposed Rulemaking (NPR) to strengthen and modernize the CRA proposes to strengthen provisions to support activities undertaken in cooperation with MDIs and CDFIs. The NPR also provides incentives for banks to invest in and support MDIs and CDFIs.

First, with respect to CDFIs, the NPR proposes that all activities with Treasury Department-certified CDFIs would automatically be eligible CRA activities. Specifically, lending, investment, and service activities by any bank undertaken in connection with such a CDFI, at the time of the activity, would be presumed to qualify for CRA credit, thus doing away with documentation requirements. In addition, such loans, investments, and services would be given positive consideration in the “impact review” of banks’ community development activities.

Second, the NPR proposes that investments, loan participations, and other ventures undertaken by any bank, including by MDIs, in cooperation with other MDIs will receive consideration. The agencies are also seeking feedback on whether activities undertaken by an

MDI itself to promote its own sustainability and profitability should qualify for consideration. As the NPR notes, allowing these activities to qualify could encourage new investments to bolster the financial positions of MDIs, allowing them to deploy additional resources to help meet the credit needs of their communities.

I hope you will take time to review the proposal and provide feedback. I look forward to receiving your comments, both recommendations on improvements and support for critical provisions. Your comments will inform how we finalize the proposal and release a final rule that benefits MDIs and CDFIs.

Conclusion

Finally, before I close, I want to reiterate the OCC's strong commitment to engaging with MDIs. We will renew the charter for the Minority Depository Institutions Advisory Committee, which advises the agency on issues and opportunities facing minority depository institutions. The Committee also serves as a valuable forum for MDIs to come together, support each other, and deepen their own network.

Last month, the OCC chartered the first de novo MDI national bank since the 2008 financial crisis. As the acting Comptroller, I am encouraged that we will begin to see more MDIs and CDFIs dedicated to financial inclusion. With your continued commitment to low-income and underserved communities, we can ensure fair access to financial services and homeownership opportunities for all.