

Remarks by John G. Walsh
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Office of the Comptroller of the Currency
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National Bankers Association
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On behalf of the Office of the Comptroller of the Currency, I want to thank you for the opportunity to be with you today to address the National Bankers Association's 80th Annual Convention. In his address before the NBA last year, Comptroller Dugan said: "You give voice to the challenges you face in your communities, and you vigorously represent the interests of minority-owned institutions in the nation's capital." The Association and its growing number of member organizations are continuing to build on eight decades of solid accomplishment.

In early August, I had the opportunity to discuss issues of concern with the NBA board and to interact further with NBA members at the Interagency Minority Depository Institutions Conference held in Miami. We had over 150 participants at that conference, including representatives from all of the federal bank regulatory agencies. NBA members were important contributors to the discussion, and we are looking forward to your participation in next year's conference, which is now in the planning stages.

In my remarks today, I want start by updating you on several issues we discussed in Miami, and then turn to a discussion of ways in which your institutions might respond to the recent turmoil in the mortgage markets, participate in the Administration's new foreclosure prevention initiatives, and play a role in other promising legislative and regulatory initiatives.

As a starting point, I am happy to report progress on three items on the OCC's minority banking agenda that were discussed in Miami. First, our survey of OCC-regulated minority

institutions has been sent out. This survey is an effort to learn from you how we can make the OCC's education, outreach, and technical assistance efforts more useful and effective. I hope that all national banks will take the time to participate and to provide us with candid feedback. We plan to follow this survey with a series of focus groups to further explore issues affecting our minority banks.

This effort piggybacks on the just-completed internal survey of OCC Assistant Deputy Comptrollers and Portfolio Managers who supervise minority institutions. We anticipate combining the results of these two surveys and the focus groups to refine our supervisory strategy and tailor our involvement to meet your banks' specific needs. We hope to continue our dialogue with the NBA as we go through this process.

Second, we are reviewing the comments submitted by NBA members and other interested parties regarding the CRA Interagency Notice published in July. That notice requested comments on nine new Questions and Answers regarding community reinvestment. One question, reflecting the concerns that you have repeatedly expressed, relates to how majority institutions may engage in and receive positive CRA consideration for activities conducted with minority institutions.

We will be taking your comments into full account in the coming months as we finalize these "Q's and A's" and assess the need for additional CRA guidance. As part of this process, we will also be following up on NBA's suggestion that regulators provide greater clarity to bankers and examiners regarding the circumstances under which CRA consideration may be given for various types of majority bank partnerships with minority institutions. We will soon be putting this issue before the Federal Financial Institutions Examination Council's Consumer Compliance Task Force for consideration and development of recommendations.

Third, we have been in discussions with the CDFI Fund to make them aware of the NBA's interest in increasing minority bank participation in their programs. This year, Highland Community Bank, a minority-owned institution located in Chicago, was awarded funding under the CDFI Fund's Bank Enterprise Award Program. Through its monetary awards, the BEA Program supports financial institutions around the country that are dedicated to financing and supporting community and economic development activities and organizations within economically distressed communities.

In addition, minority institutions from New Orleans and Milwaukee – Liberty Bank and Trust Company and the Legacy Redevelopment Corporation, respectively – won CDFI Financial Assistance Awards this year. The 2008 funding round for CDFI Fund's financial and technical assistance programs is now open. The Fund is represented at this conference, making this an excellent opportunity for you to engage in constructive dialogue about the CDFI Fund's programs and the potential funding opportunities for your institutions.

To help we have included a copy of the OCC's recently released report on New Markets Tax Credits, another of the CDFI Fund's programs, as part of your conference materials. This report discusses the major considerations facing bank investors who develop and support community and economic development activities. Many NMTC activities may also receive favorable CRA consideration. I hope you will find the report useful as you consider participating in the New Markets Tax Credit program.

Now I would like to move to some of the recent developments in the mortgage market that have been in the headlines, and to discuss the role that minority-owned institutions might perform in resolving some of these problems. Even though you may not have originated payment-option adjustable rate mortgages and subprime ARMs with teaser rates, many borrowers now experiencing

problems repaying these mortgages or finding new ones may turn to their community-based lending institutions for help.

At the end of August, President Bush announced a series of important steps to help homeowners avoid unnecessary foreclosures. The goal of these efforts is to expand mortgage financing options and to identify and reach distressed homeowners before they face irresolvable financial hardship.

The President outlined an aggressive plan – the HomeOwner Protection Effort – to help struggling borrowers. As part of these efforts, he asked HUD Secretary Jackson to launch a new Federal Housing Administration initiative called FHASecure. FHASecure is designed to help people with good credit who have become delinquent because of rising mortgage payments. The President also called upon Congress to pass FHA modernization legislation. The President’s FHA modernization proposal lowers downpayment requirements, allows FHA to insure bigger loans, and gives it more pricing flexibility.

These FHA initiatives, and others under consideration, may provide new market opportunities for NBA members who are, or may wish to become, FHA-approved lenders. For those of you who have relationships with Freddie Mac or Fannie Mae, both GSEs are committing additional resources to stabilize and support the subprime market that may be of interest.

Freddie Mac announced in April that it would purchase up to \$20 billion in mortgages that provide better choices for subprime borrowers, including those seeking to refinance out of unaffordable adjustable rate mortgages. FannieMae has a comparable product, HomeStay, designed to help homeowners avoid payment shock on subprime ARMs.

Some institutions may want to seek other opportunities to participate in the innovative refinancing programs and foreclosure prevention partnerships that are emerging. For example, a

Midwestern community bank is launching a program to refinance subprime ARM borrowers whose loans are due to reset into traditional mortgages that will lower their interest rates by 1-to-3 percentage points. The bank seeks to fund the loans in this initiative with deposits from socially motivated investors. Many national banks have also pledged, individually and in partnership with others, to help counsel and refinance troubled subprime borrowers.

The foreclosure prevention program of NeighborWorks America is another initiative that deserves your attention. Its three-year Public Service Announcement campaign, launched in June with the Ad Council and the Homeownership Preservation Foundation, encourages homeowners who are having trouble with their mortgages or facing foreclosure to call 1-888-995-HOPE. HUD-approved counselors staff this hotline number 24 hours a day, 7 days a week and refer callers to nonprofit counselors. Local NeighborWorks affiliates – and there are nearly 250 around the country – make excellent partners in such “in-the-community” foreclosure prevention undertakings.

To gain further insight into all of these problems and opportunities, Treasury Secretary Paulson, HUD Secretary Jackson, Federal Reserve Chairman Bernanke, SEC Chairman Cox and others will be reaching out to a wide variety of groups in the coming weeks. I hope that you will share your ideas with them as various proposals move through their legislative and regulatory processes.

As community bankers, you know better than most the human face behind the headlines – the snowballing effect of over-extended credit, heart-breaking foreclosures, and homes falling into disrepair and abandonment affecting entire neighborhoods. As more community residents are drawn to their local banks in these times of uncertainty, I believe that you can play a vital part in supporting the interests of troubled borrowers. Your combination of local expertise and commitment to the community enable you to reach out to individuals in ways that mortgage

brokers and distant servicers cannot. Your community outreach programs can be effective vehicles to serve both new and existing customers in these times of real need.

In previous times of market turmoil, consumers have turned to insured and regulated depository institutions to protect their savings and take out responsible loans. In this particularly disconcerting time of subprime mortgage failures, customers are also looking for responsive lenders to provide an alternative to unscrupulous loans and high-cost banking services. The new and enhanced relationships you build with these customers today can lead to high quality profitable loans, deposits, and services for your institutions, and as a result, strengthen your capacity to serve your communities even more in the future.

Finally, I want to make you aware of important legislation which is currently being considered by Congress that may also provide significant opportunities for your institution. This legislation concerns the “Part 24 public welfare investment” authority which allows banks to make equity investments that support urban revitalization and rural development. This authority is one of several that can be used by majority banks to make equity investments in minority owned institutions under certain conditions. In last year’s Regulatory Relief bill, Congress passed an amendment to the Part 24 public welfare investment authority that raised the permitted level of public welfare investments from 10 to 15 percent of an investing bank's capital and surplus.

However, the amendment also narrowed the existing authority by only allowing Part 24 public welfare investments in activities that primarily benefit low- and moderate-income individuals or areas. This narrowing eliminated very worthwhile investment activities in middle income areas, including those designed to support government-sponsored revitalization efforts, rural underserved or distressed communities, and designated disaster areas.

Fortunately, the House moved to correct this problem earlier this year. In February, it unanimously approved the Depository Institution Community Development Investments Enhancement Act – H.R. 1066 – to take us back to the old standard by restoring the previously qualifying public welfare investment categories. In addition, it would authorize thrifts to make public welfare investments under this authority. H.R. 1066 is now pending before the Senate, and the OCC hopes that it will act soon on its passage.

In closing, let me thank you again for the opportunity to participate in your annual convention. Our nation is indebted to the NBA and its members for the many significant contributions you have made over the past eighty years, and I have no doubt that you will continue to answer the call on behalf of the customers and communities that you have served so well. We at the OCC look forward to working with all of you as you look ahead to another 80 years of outstanding service to America.