

Acting Comptroller of the Currency Michael J. Hsu
Keynote address to the
Black Homeownership Collaborative’s Fair Housing Month Virtual Forum
“Advancing Fair Access to Quality and Sustainable Credit”
April 19, 2022

Good afternoon. Thank you for inviting me to join you for this Black Homeownership Collaborative Fair Housing Month Forum. I want to start by commending you for collaborating as housing and civil rights leaders to develop a plan to increase Black homeownership by three million net new Black homeowners by 2030.

Your seven-point plan¹ for achieving this goal aligns well with efforts by the Biden Administration and the Office of the Comptroller of the Currency (OCC) to promote financial inclusion, expand access to homeownership for minorities and historically marginalized communities, and help close the racial wealth gap.

Background

First, let’s consider why these initiatives are needed. Economic inequality in the United States has been rising steadily over the past decades.² The income gap between upper- and lower-income households has nearly doubled since 1970. Studies show that the wealth gap between Black and White Americans is roughly the same as it was more than a half century ago before passage of the Civil Rights Act of 1964.³ In 2016—as it was in 1962—average wealth for White families in the United States was nearly seven times greater than that of Black families.

¹ See [“Our 7-point plan to create 3 million net new Black homeowners by 2030,”](#) The Black Homeownership Collaborative.

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

³ Ibid.

As many studies have confirmed, homeownership is an important determinant of generational wealth, and persistent racial wealth inequality is a significant barrier to economic advancement for families of color, their communities, and future generations.

Your seven-point plan notes that the Black homeownership rate has plummeted to levels not seen since housing segregation was legal.⁴ According to the report recently released by the Interagency Task Force on Property Appraisal and Valuation Equity (PAVE Task Force), in 2021, the Black homeownership rate was just 44 percent, while the White homeownership rate was 74 percent.⁵ As concerning, Black applicants continue to be more often denied mortgage loans than White applicants. Another recent study found that in 2020, the mortgage denial rate was 84 percent higher for Blacks than their White counterparts, a 10-point increase since 2019.⁶ Overall, that study found nearly 20 percent of Blacks applying for a mortgage in 2020 were denied, the highest denial rate for any racial or ethnic group. In contrast, just 10.7 percent of White applicants were denied a mortgage loan in 2020.

Compounding these problems, homes in majority Black neighborhoods are valued at roughly half the price of comparable homes in neighborhoods with no Black residents.⁷ Indeed, while one study asserts that adjusting for structural and neighborhood characteristics shrinks the so-called “penalty” for housing value in Black neighborhoods somewhat, another study found

⁴ See [“Our 7-point plan to create 3 million net new Black homeowners by 2030,”](#) The Black Homeownership Collaborative.

⁵ See “Action Plan to Advance Property Appraisal and Valuation Equity,” PAVE, March 2022.

⁶ See “The gap in mortgage denial rates between Black and white Americans has grown during the pandemic,” Zillow study, MarketWatch, January 17, 2022.

⁷ See [“The devaluation of assets in Black neighborhoods: The case of residential property,”](#) Andre M. Perry, Johnathan Rothwell, and David Harshbarger,” Brookings, November 27, 2018.

that these factors cannot explain the approximately \$48,000 gap in average home value between Black and White neighborhoods in the study.⁸

Against this backdrop, I would like to talk about three inter-related initiatives that complement your seven-point plan to address these challenges.

1. PAVE Plan to Reduce Appraisal Bias

Last year, President Biden created the federal PAVE Task Force. The President charged the Task Force with developing a plan that advances property appraisal and valuation equity to help close the racial wealth gap by addressing mis-valuations for families and communities of color.⁹ Led by U.S. Department of Housing and Urban Development Secretary Marcia Fudge and Director of the White House Domestic Policy Council Ambassador Susan Rice, the PAVE Task Force worked quickly to evaluate the problem and develop a “whole of government” plan.

The OCC has been an active member of the PAVE Task Force since its inception. Last month, PAVE issued its report and announced numerous concrete action items to be taken by more than a dozen federal agencies to combat the appraisal bias problem that has long plagued the home mortgage origination process. In the report, the PAVE Task Force cited research that found 12.5 percent of appraisals for home purchases in majority-Black neighborhoods and 15.4 percent in majority-Latino neighborhoods resulted in a value below the contract price—or what a buyer was willing to pay—compared with only 7.4 percent of appraisals in predominantly White

⁸ See “[Biased appraisals and the devaluation of housing in Black neighborhoods](#),” Johnathan Rothwell and Andre M. Perry, Brookings, November 17, 2021.

⁹ See “Executive Order on Advancing Racial Equity and Support for Underserved Communities Through the Federal Government,” January 2021.

neighborhoods.¹⁰ The PAVE report identified policy initiatives designed to make a significant difference in ensuring fair and accurate home valuations for all communities.

The OCC is strongly committed to carrying out the PAVE report’s actions to help ensure greater federal oversight and effective monitoring for discrimination in appraisals and technology-based valuations of residential property. While the PAVE review was under way, the OCC immediately began taking steps to enhance our supervisory methods for identifying potential discrimination in property valuations, ensure that consumers know their rights regarding appraisals, and support research that may lead to new ways to address the undervaluation of housing in communities of color caused by decades of discrimination.

2. OCC’s Project REACH

Another important initiative is the OCC’s Project REACH, which was launched in July 2020 amid widespread civil protest and calls for racial equity. REACH stands for the Roundtable for Economic Access and Change. Project REACH’s mission is to promote greater access to capital and credit for minority and underserved populations.

In Project REACH, the OCC—like the Black Homeownership Collaborative—recognizes that there is power in bringing a range of stakeholders together to collaborate and solve problems. We have used our convening power to bring together leaders from civil rights and community organizations, banks, technology firms, and other industries to address the policy and structural challenges that limit full and fair participation by low-income, minority, and underserved communities in our nation’s economy.

¹⁰ See “Racial and Ethnic Valuation Gaps in Home Purchase Appraisals,” Freddie Mac, September 2021.

Project REACH's work is divided into four workstreams: affordable homeownership, inclusion for credit invisibles, revitalization of minority depository institutions (MDI), and access to capital for small and minority-owned businesses.

Expanding Minority Homebuyer Programs

The Affordable Homeownership Workstream is focused on sustainably growing minority household wealth through expanded homeownership opportunities. Workstream members are exploring ways to expand down payment assistance programs; create special-purpose credit programs; employ alternative data credit scoring methods; and enhance mortgage homebuyer counseling services for denied mortgage applicants.

The members of the Project REACH Affordable Homeownership workstream are particularly interested in identifying and promoting local programs that may be replicated in other communities or even rolled out nationwide. Take, for example, the San Diego Black Homebuyers Program,¹¹ which uses grant funds, down payment assistance, and homebuyer counseling to help minority residents become homeowners. The program is a partnership of the Local Initiatives Support Corporation and the Urban League of San Diego County. US Bank and MUFG Union Bank are participating lenders. The San Diego Foundation provided \$1 million for down payment assistance for homebuyers. To participate, private lenders must provide an additional \$9,000 in down payment assistance to each homebuyer who receives grant funds. The Affordable Homeownership workstream members are currently exploring the possibility of expanding this program to other communities.

Special Purpose Credit Programs (SPCP) are another vehicle by which community organizations and banks can work together to help address homeownership and wealth gaps. In

¹¹ See [San Diego Black Homebuyers Program](#).

December, to promote the use of SPCPs, the OCC joined other agencies in recognizing the U.S. Department of Housing and Urban Development's recently issued Fair Housing Act guidance on Special Purpose Credit Programs. I also issued a statement encouraging national banks and federal savings associations to explore SPCP opportunities as a way to open the door to homeownership to those who have been historically shut out.¹²

For their part, Project REACH participant banks are exploring SPCPs as an option to offer special terms on rates, down payments, and closing costs to minority home buyers and those living in minority communities who otherwise would not be eligible for credit on favorable terms under those banks' standard policies.

Expanding Affordable Credit to Credit Invisibles

Another Project REACH workstream, Alternative Credit Assessment, is exploring ways to expand mainstream credit opportunities to the millions of Americans who do not have traditional credit scores. This problem disproportionately affects Black and Hispanic consumers according to the Consumer Financial Protection Bureau.

This workstream has brought together banks, fintechs, and the credit bureaus to identify financial data not traditionally found in a credit report. This data can be used by banks and other traditional lenders to expand access to responsible and affordable credit. Workstream participants also plan to pilot an alternative credit assessment utility that integrates deposit account data in checking accounts and other alternative consumer data with an understandable relationship to creditworthiness. One alternative data option being explored is the possible identification and use of cash flow data, such as timely and regular payments for rent, utilities, or cell phone bills. For

¹² See [OCC News Release 2021-30](#), December 9, 2021.

example, Fannie Mae, a Project REACH participant, now enables single-family lenders to consider rental payment history in their mortgage underwriting analysis.¹³

Moreover, the use of this type of non-traditional, more holistic data isn't limited to expanding the opportunities for homeownership. Some of the nation's largest banks are launching pilot programs using this alternative credit assessment credit utility to issue credit cards or other small dollar products to people without a traditional credit file.¹⁴

3. Joint CRA NPR

Last, but certainly not least, the federal banking agencies are modernizing and strengthening the Community Reinvestment Act (CRA) regulations to expand financial access and inclusion to low- and moderate-income (LMI) communities. Banks have made substantial investments of CRA dollars in LMI communities over the past four decades. Nonetheless, significant disparities continue to exist in many LMI areas, particularly for Black, Hispanic, and Native American communities.

I expect there will be an interagency CRA Notice of Proposed Rulemaking (NPR) soon. This joint proposal is designed to update and strengthen our implementing regulations for the CRA, which was enacted in 1977, to better reflect how today's banking system operates.

The NPR's provisions would allow regulators to evaluate more comprehensively the CRA performance of banks that offer mortgage loans outside traditional, branch-based assessment areas. This change acknowledges just how dramatically the banking industry has changed. Banks and other lenders now deliver their services on our phones and laptops, rather than only by tellers and loan officers in brick-and-mortar branches. This is important because

¹³ See "[Fannie Mae Introduces New Underwriting Innovation to Help More Renters Become Homeowners](#)," News Release, August 11, 2021.

¹⁴ See "[JP Morgan, Others Plan to Issue Credit Cards to People With No Credit Scores](#)," Wall Street Journal, May 13, 2021.

studies have shown that banks do a better job of lending to LMI individuals and areas within their traditional CRA assessment areas than they do outside these assessments areas.¹⁵

This and other NPR provisions would give regulators new tools intended to update how we examine bank CRA performance and encourage greater volumes of CRA dollars reaching LMI individuals and communities that have too often been overlooked in the past.

Conclusion

These three initiatives that I've discussed are part of significant and substantial work by the federal government, including the OCC, to make real change by expanding fair access and homeownership opportunities for minorities and LMI areas. Working together with efforts like your Black Homeownership Collaborative's seven-point plan to increase Black homeownership, we can help historically marginalized communities and ultimately help to close the racial wealth gap.

Now, I'm happy to take your questions.

¹⁵ Housing Finance Policy Center, Urban Institute, data and conclusions presented January 26, 2022, in webinar hosted by National Association of Affordable Housing Lenders/The Center for Community Lending ("Bank lending outside CRA assessment areas").