

**REMARKS OF JOHN M. REICH, DIRECTOR**  
**OFFICE OF THRIFT SUPERVISION**  
**TO THE NATIONAL BANKERS ASSOCIATION ANNUAL CONFERENCE**  
**LAS VEGAS, NEVADA**  
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Good morning. It is a pleasure to be here today in Las Vegas to speak to the annual conference of the National Bankers Association. I want to thank Norma Hart for the invitation to join you. I also want to commend you, the members of the National Bankers Association, for almost 80 years of supporting minority and women owned financial institutions.

I recently reviewed your website and discovered some important statistics about the institutions you represent. According to the website, minority and women owned institutions employ over 15,000 people, have assets in excess of \$31 billion and service over 3 million depositors. The NBA's ongoing work is extremely important to minority and women-owned depository institutions. The NBA assists in coordinating numerous important initiatives for its members. And perhaps most important is the advocacy role that the NBA plays for you on legislative and regulatory matters. It is my experience that Norma Hart and her staff ably and effectively serve you, and I am honored once again to be included as an invitee to your annual conference.

The NBA has many accomplishments. While increasing your membership, the NBA has also increased coordination and collaboration among its members. Such successes come from hard work and well-executed strategies. Strategic vision and adept execution of goals and priorities are essential to the long-term success of any organization. Today, I want to talk to you about part of my vision for the OTS — revamping our Minority Owned Institution (MOI) program — which I hope will directly and positively affect a number of the institutions represented in this room. But first, I want to briefly discuss another strategic initiative, the OTS's Community Reinvestment Act realignment, which we announced a couple of weeks ago, and which will be put out as a Notice of Proposed Rulemaking in the next few weeks.

Sometimes it is important to implement strategies that, while not popular, are important to long-term success. Like the NBA, the OTS is focused on achieving our own strategic priorities. The OTS's proposed CRA realignment is an initiative that I put in the low popularity/high long-term effectiveness category. While not necessarily popular with many institutions, I believe that aligning the OTS's CRA rules with those of the other federal banking agencies is an important decision that should be considered for the long term.

Some industry observers have suggested that this is important to bring the OTS back into the fold. Perhaps this is so, at least on this issue. But I think it would be a gross miscalculation for anyone to assume that this signals that the OTS will “toe the line” with the other federal banking agencies on all issues. I assure you that the OTS will continue to voice our concerns and objections on any policy initiatives with which we disagree.

So then, why did we propose realigning our CRA rules, if not for the sake of conformity? The answer, of course, is that in this case I believe conformity of the rules is the end game. That is, the proposed CRA conformity may be in the best long-term interests of the institutions we regulate. Allow me to explain.

Since joining the OTS, I have had many conversations and thought long and hard about the basis of our CRA rules. In particular, I continually questioned the rationale for having different procedures for evaluating CRA compliance by thrifts versus banks. In many respects, I believe this does a disservice to thrifts. Over the last year, I have come to appreciate that thrifts are the model for effective community development lending, investments and services in all market areas, particularly low-to-moderate income communities. I find quite disturbing the fact that our institutions have had to continually defend their programs and activities because of the OTS’s differing CRA rules.

OTS-regulated thrifts are not only active low- and moderate-income community lenders, in many markets thrifts are the leaders in this activity. For example, thrifts far outdistance banks and other lenders when it comes to multi-family housing loans — a key lending activity in many low- and moderate-income areas. In addition, thrifts are often at the forefront of innovative and creative lending to benefit the public welfare.

I came to the conclusion that thrifts are and will continue to be outstanding low- to moderate-income lenders regardless of the applicable CRA rules. And this alone formed the basis for my decision to propose aligning the OTS with the other federal banking agencies on CRA. In other words, I believe this may be the right thing to do for the thrift industry to be able to continue to compare itself effectively with the community development and other CRA activities of commercial banks. There are many reasons for this. One good example is the failure to extend the same increase in investment authority for thrifts as banks received for investments to promote the public welfare in the recently enacted regulatory burden reduction bill. And I am certain there are many more examples such as this.

Finally, I want to take a moment to mention my work on the EGRPRA project and the recently enacted regulatory burden relief legislation. While this cannot be characterized exclusively as an OTS accomplishment, significant agency resources were brought to bear since I joined the OTS in August 2005 to achieve meaningful regulatory burden reduction legislation. And I believe that it was a significant legislative victory for the OTS and the industry. While it would have been more satisfying to have several additional provisions in the final bill, including increased small business lending authority for thrifts, it included numerous other important provisions for banks and thrifts. These include meaningful call report simplification, increasing to \$500 million the asset limit for availability of the small institution 18-month exam cycle, a direction by Congress to create a more simplified privacy notice disclosure form, and relief for insured institutions under the SEC's Regulation B and the functional regulation provisions of the Gramm Leach Bliley Act. A provision that is important to thrifts is an exemption under the Investment Advisors Act and parity with banks under the broker-dealer provisions of the federal securities laws.

I applaud Congress for passing this important legislation to reduce unnecessary regulatory burdens imposed on financial institutions. Much was accomplished, but clearly more can be done. I will continue to pursue additional, meaningful regulatory burden relief, particularly for issues that were identified during consideration of this year's legislation but never made it into the final bill passed by Congress. As a former community banker, I strongly believe that regulatory relief is essential for the future of community banking in our country.

Everyone here understands the important role of community banks in our local economies. Community bankers like you are active on school boards, hospital boards, YMCA's, and countless local civic organizations. You are connected to, and invested in, the success of your communities. And your ability to operate and compete successfully is critically important — to your customers and your communities. This is why regulatory burden relief has been and will continue to be a primary focus for me. It is essential for the future of community banking.

#### OTS Minority Owned Institution Program

Revamping the OTS's community affairs outreach program is a major priority for me. An important component of this effort is refocusing and upgrading our Minority Owned Institutions program. We are in the process of initiating a number of changes to support the minority owned institutions we supervise. And we will continue existing efforts that have been successful in supporting minority and women owned institutions.

The OTS currently supervises 23 minority owned savings associations. As of June 30, 2006, collectively these institutions held approximately \$8.9 billion in total assets, representing approximately 0.58 percent of the total assets of all OTS regulated savings associations. The average asset size of the minority owned savings associations regulated by the OTS is \$388 million.

Minority owned savings associations provide employment opportunities, capital to fuel small businesses and economic revitalization, and services that support their local communities. The minority owned savings associations we regulate serve low and moderate income communities; provide access to a broad array of financial services including alternatives to higher-cost forms of financing; and play a critical role in providing affordable housing, both in single family home mortgages and multi-family housing loans.

Multi-family mortgages are an important vehicle for providing access to affordable housing. And multi-family housing has traditionally presented relatively low levels of risk to lenders, when prudently managed. Historically, thrifts are active multi-family mortgage lenders. In fact, a number of minority owned savings associations that we regulate make a considerable volume of multi-family mortgages. Two OTS-regulated institutions in California — where affordable housing is a considerable challenge — have distinguished themselves in this lending strategy with a significant percentage of their total assets in multi-family housing loans.

Affordable multi-family home lending is just one example of how minority owned institutions support their local economies and make a difference in their communities.

In 1989, pursuant to the Financial Institutions' Regulatory Relief and Enforcement Act, Congress directed the OTS and the FDIC to support the critical role that minority owned institutions play in our banking system. In particular, Congress directed the OTS and the FDIC to:

- Preserve the present number of minority owned institutions;
- Preserve the minority character of existing minority owned institutions in cases involving the proposed merger or acquisition of a minority owned institution by using general preference guidelines;
- Provide technical assistance to prevent insolvency of existing minority owned institutions;
- Promote and encourage the creation of new minority owned institutions; and
- Provide training, technical assistance, and educational programs to minority owned institutions.

I have studied our existing MOI program and while I think we have provided meaningful support in a number of key areas, primarily by offering technical and other assistance, we can do more and we will. Last week, the U.S. General Accounting Office (GAO) released a study of the minority owned institution programs implemented by all of the banking agencies. Quite frankly, OTS did not fare very well. As part of its final recommendations, the GAO asked us to seek input from the minority owned institutions we supervise and to develop performance measures to better assess our effectiveness. The OTS is committed to implementing both of these recommendations, and I invite you — today and in the weeks and months ahead — to engage me and my staff to better guide us in our efforts in this regard.

We are committed to listening to all of your suggestions and recommendations on how to improve our MOI program, and I commit to you that we will take action as expeditiously as possible to move forward on improving our existing program. I would like to share with you some of the initiatives we already have underway.

The first step, which we took last week, is to create a section on the OTS website that will bring together, in one place, information and resources that we hope you will find useful on our MOI program. You can access this new section by clicking on the “Consumer & Community” tab on the OTS web site at [www.ots.treas.gov](http://www.ots.treas.gov).

The new MOI section on our website includes a copy of our policy statement on minority owned institutions, our definition of what is a MOI, a current list of MOIs broken out by region, and a series of links to partnership opportunities, programs, conferences, seminars, workshops, and other information that we hope you will find useful.

A feature of the new OTS/MOI webpage I hope you will use often is a feedback link. Clicking on the feedback link will permit you to send an outgoing e-mail message to our OTS policy staff in Washington. Again, we want to hear from you on any aspect of our MOI program, including how we can improve our training materials, technical assistance, educational outreach or anything else you’d like to share with us.

Another recent effort that I hope will increase awareness of our MOI program is the development of an OTS booth to be displayed in exhibitor halls at trade association conferences such as this. While I wish that our new booth could have been displayed here today, our production schedule is just finishing this week in Virginia. We will have two booths and I certainly would plan for one of them

to be at your convention next year, and at the NBA's Annual Legislative Affairs Conference in Washington, DC if appropriate. Unfortunately, our production schedule was so tight on development and delivery we were unable to get it to Las Vegas in time for the start of your convention. It's a project that I hope will produce many benefits, including increasing awareness of our MOI program, which will be one of the featured presentations at the booth.

While the primary goal of the booth project is to encourage bankers and other financial services providers to learn more about the thrift charter and the OTS, it creates numerous other opportunities for us. We are aggressively moving to identify numerous conferences and meeting opportunities for 2007, including forums in which to discuss our MOI program, such as at meetings attended by entrepreneurs who may be interested in opening a new minority owned institution.

Another recent step intended to support and enhance our MOI program was upgrading and increasing our Washington, DC staffing in this area. We already had several outstanding, but grossly overworked staff members who were being pulled in many different directions, including providing policy support to our regional offices on a wide range of consumer affairs issues along with the MOI program. While we were blessed with four outstanding community affairs liaisons, one in each of our regions, they, too, were being pulled in many different directions with minimal coordinated policy guidance from Washington.

To remedy this problem, we reestablished OTS's consumer affairs program and recruited the talent to lead and staff it. A key hire for the OTS was Montrice Yakimov, our Assistant Managing Director for Compliance and Consumer Protection. I encourage you to engage Montrice here today and to get to know her. She is available to work with you, along with our regional liaisons, on any issues affecting your OTS-regulated institution.

We are also planning to offer more training opportunities for the minority owned institutions we supervise. For example, we are planning to offer conference calls devoted to topics that minority owned institutions have identified as priorities or issues on which they want additional information. In that regard, we have reached out to Norma Hart and we hope to work with the National Bankers Association to identify specific topics for future teleconference briefings. This format was extremely effective earlier this summer when the OTS hosted a teleconference on anti-money laundering, entitled "BSA/AML — Getting it Right." Perhaps some of you had the opportunity to participate in that call.

The OTS will continue to participate in interagency forums, roundtables and conferences that present the opportunity to raise awareness of our MOI program, and I encourage you to do the same. And we will continue our ongoing

technical assistance program. This one-on-one program is designed to assist minority owned institutions to address problem areas identified during examinations. Again, we are available, through Montrice or our regional community affairs liaisons, to provide assistance in any other areas in which you seek guidance. This includes finding qualified board members or key personnel, analyzing business plans and operations, or locating appropriate merger partners. If you wish to contact us, telephone numbers and e-mail addresses of our DC and regional staff are listed at the new MOI area of our website.

Thank you for the opportunity to speak to you today. I hope that we have the opportunity to work more closely together in the months ahead. We are open to any ideas or suggestions you have on ways we can improve our MOI program. And we want to hear from you.

Thank you very much.