

Statement of  
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Deputy Comptroller for Compliance Policy  
Office of the Comptroller of the Currency  
before the  
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of the  
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of the  
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Chairman Kucinich, Ranking Member Issa, and members of the Subcommittee, I am Ann Jaedicke, Deputy Comptroller for Compliance Policy, at the Office of the Comptroller of the Currency (OCC). I am pleased to appear before you today to discuss the OCC's fair lending and Community Reinvestment Act (CRA) examination processes. I will also discuss how a national bank's CRA evaluation and rating can be adversely affected by evidence of unlawful lending discrimination.

Let me begin by saying there is **no room** for unlawful lending discrimination in the national banking system, and the OCC **fully expects** banks to serve the credit needs of their communities, including needs in low and moderate income areas. The OCC has a comprehensive and rigorous fair lending oversight program, which is our foundation for ensuring that national banks comply with the fair lending laws. We also conduct examinations of national banks to evaluate whether they are meeting the credit needs of their communities as required by the Community Reinvestment Act (CRA).

At each CRA examination of a national bank, the examiner not only evaluates the manner in which the bank is meeting the credit needs of the community, but the examiner also considers the nature and extent of any unlawful discrimination or other illegal credit practices in which the bank may have engaged. The joint CRA regulations of the federal banking agencies provide that evidence of unlawful discrimination or other illegal credit practices has an adverse effect on a bank's CRA performance evaluation. Therefore, if there is evidence of unlawful discrimination, that information is taken into account in the bank's CRA evaluation and the examiner's findings are discussed in the public performance evaluation, or PE.

The interagency CRA rules further provide guidance on the factors that will be considered in determining whether a bank's CRA *rating* should be adjusted as the result of such evidence. These factors include, among other things, the nature of the violation, the extent of the problem, whether the bank self-identified the issue, and whether the bank has initiated corrective action. Let me assure you that the OCC treats evidence of fair lending violations as a negative factor when assessing the CRA performance of national banks, and we have lowered the CRA ratings of national banks in several instances based on such evidence. For example, ratings have been lowered from "Outstanding" to "Satisfactory" and from "Satisfactory" to "Needs to Improve" based on discriminatory or other illegal credit practices. In other instances, the OCC has described the violations in the CRA PE and taken them into account in evaluating CRA performance, but has determined that lowering a rating was not appropriate based on an assessment of the applicable factors in the CRA regulations.

In addition to conducting CRA examinations, the OCC has a fair lending supervisory program designed to assess the level of fair lending risk in every national bank. As part of this process, the OCC assesses compliance with fair lending laws and regulations; we obtain corrective action when significant weaknesses or deficiencies are found in a bank's policies, procedures, and controls relating to fair lending; and we ensure that enforcement action is taken when warranted, including referrals to the United States Department of Justice and notifications to the United States Department of Housing and Urban Development (HUD).

Our fair lending supervisory process has several features that in combination result in a risk-based approach to our fair lending supervision. We combine our examiner's knowledge of the bank and its products and markets, with analytical information about loans made by the bank, and with information from consumers and community groups. Using this information, we focus our fair lending examinations on the banks that show the greatest potential for fair lending issues.

I appreciate the opportunity to discuss the important nexus between fair lending compliance and helping to meet community credit needs. The OCC is committed to ensuring that our evaluation of national banks' CRA performance appropriately reflects any evidence of unlawful discrimination, consistent with the interagency CRA regulations. Along with our robust fair lending examination and enforcement process, the CRA process is an important "tool" in federal law that we use to address, and to help prevent, unlawful discrimination.

I will be pleased to answer any questions that you may have.