

Heads of OCC, FDIC highlight efforts to close racial wealth gap

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Top regulators and leading Democrats at a June 15 conference emphasized their commitment to increasing financial services access for the underbanked and supporting minority depository institutions, or MDIs.

Heads of the Federal Deposit Insurance Corp. and the Office of the Comptroller of the Currency attended the conference hosted by Georgetown Law and the Black Economic Alliance, commemorating Juneteenth. Both leading regulators expressed a desire to stay committed to closing wealth gaps and addressing racial inequity through the banking system. Top Democrats in Congress also spoke at the conference about their own efforts to address inequality, including a renewed call for public banking.

"The wedge between the haves and the have-nots gets bigger. I think the banking system plays a role in [combatting] that," said Michael Hsu, acting head of the OCC.

Hsu and Federal Deposit Insurance Corp. Chairman Jelena McWilliams highlighted various efforts. Hsu offered an update on plans to reconsider a rewrite of the Community Reinvestment Act that occurred under the Trump administration. Hsu reiterated a call to work together with the Federal Reserve and the FDIC on a rewrite of the CRA, a Civil Rights-era law intended to prohibit lending discrimination against low-income and minority communities. Under the Trump administration, the OCC issued its own rewrite of CRA, separate from the Fed's and FDIC's efforts.

"Going together really does lead to more durable standards," he said.

Both Hsu and McWilliams spoke of efforts to increase support for MDIs and community development financial institutions, or CDFIs. McWilliams said her agency is focused on growing its mission-driven bank fund, which provides capital and modernization to MDIs.

"We're hoping to make it big," McWilliams said. "I'm hoping that we can grow this fund to more than 10 digits."

On a related note, the FDIC on June 15 approved a final policy statement to help promote minority-owned banks. Hsu also highlighted the OCC's effort to improve access to the financial system through Project REACH, or Roundtable for Economic Access and Change, an effort by the OCC to get large and midsize banks to develop closer partnerships with MDIs.

Leading Democratic politicians at the conference spoke of legislative initiatives to improve financial access and close the racial wealth gap. Sen. Sherrod Brown, D-Ohio, said he would keep up the fight for public banking, which would provide no-fee accounts to the underbanked.

"We want to use MDIs in that effort," said Brown, who chairs the Senate Banking Committee. "A quarter of Americans are unbanked. Fewer people would feel like they need to turn to shady fintechns and Silicon Valley."

Speaking separately at the conference, Rep. Maxine Waters, D-Calif., said she sees financial technology as critical to the future success of minority groups. As cryptocurrencies and other forms of electronic banking are increasingly used, "it's imperative that people of color not get left behind," Waters said. As chair of the House Financial Services Committee, she pointed to task forces on financial technology and artificial intelligence. On June 16, Waters also announced a new working group on digital assets.

Waters highlighted the rapid decrease in the number of MDIs over the past decade and their struggle for investment compared with larger banks.

"We must do more than narrow this gap in investment. We must close it," Waters said.

Also speaking at the conference, Sen. Mark Warner, D-Va., pointed to the \$12 billion that MDIs and CDFIs received under the Paycheck Protection Program in December 2020, saying the funds offered new opportunities.

"Knock on wood, I hope we're going to see it justly implemented," Warner said. "We needed to do more than prop up some of these institutions long-term."

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