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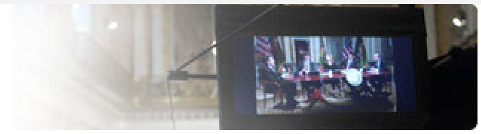

Remarks By Acting Assistant Secretary Amias Gerety At The National Interagency Community Reinvestment Conference

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As prepared for delivery

LOS ANGELES – Good afternoon and thank you, Eric, for that introduction. I'd also like to thank the partnering agencies of the National Interagency Community Reinvestment Conference for inviting me to speak today.
As Treasury's Acting Assistant Secretary for Financial Institutions, I cover a range of issues related to the financial services sector, from terrorist risk insurance to consumer policy. My office formulates polices and coordinates the Department's efforts to support economic prosperity and financial security. A central priority for me and my colleagues at Treasury is to determine how best to use Treasury's resources, both its programs and its policies, to solve the problems that persistently plague Americans, especially those that do not have adequate access to the very financial institutions and infrastructure that my office monitors and reviews.

Just within the last month, the Administration has been very vocal about the need to increase financial access and opportunity for all Americans. In his State of the Union address, President Obama said, "For the past seven years, our goal has been a growing economy that works better for everybody. We've made progress. But we need to make more." A couple weeks, ago, at one of the country's largest convenings dedicated to financial empowerment, Treasury Secretary Jack Lew reinforced the Administration's desire to continue our progress in connecting the millions of Americans—and billions around the world—who are currently excluded from our financial system and make sure that they have the access they need.

But what does this really mean? What more can we do to continue progress?

Let's start with the theme of this conference. Community reinvestment uses the mechanism of the financial system – connecting savers and investors with the needs of borrowers through time. In a regulatory context, it's a requirement for financial institutions to meet the credit needs of the communities they operate in. And over the last day and a half, you've heard what community reinvestment means for those who live every day to recycle the savings of their communities into opportunities. You've heard multiple strategies to increase opportunities for low-income people and communities, tools that support progress towards shared economic growth and financial inclusion.

I'm honored to be here because Treasury is committed to that process and has three primary tools it can use to assist in this effort: products, partnerships, and programs.

First, are our products.

Millions of Americans are in danger of not having enough money to maintain their standard of living in retirement. In fact, nearly 1/3 have no retirement savings or pension. Even on a modest income, saving $5 per pay period, the equivalent of a couple of cups of coffee, can make a real difference over time. As $5 dollars becomes $100 dollars in less than a year, the message that savings add up is quickly apparent, and this realization creates the habit of saving. Once ingrained, that $5 dollar deposit becomes $10 dollars or $20, the savings build even faster. Therefore, Treasury is working to promote long-term savings. myRA was launched last year as a safe option for those whose employers do not offer retirement savings accounts. It is free; there are no minimum balances and no fees. There is no risk of losing money and savings are invested in risk-free U.S. Treasury retirement savings bond. And signing up is easy on myRA.gov and includes simple on-line enrollment. In short, myRA removes the barriers that make it hard to save for millions of Americans.

Second, is through strategic partnerships with other federal agencies.

The President's Budget released today announces a new partnership between Treasury and the Department of Labor to help young people develop the habit of effectively managing their finances through connecting them with financial products services and education and tools that build financial capability. Earlier today, I had the opportunity to participate in a Youth Financial Empowerment and Inclusion Roundtable hosted by the mayor's office. I spoke with city leaders about Los Angeles' Financial Empowerment Initiative to expand their Summer Youth Employment Program and connect young people with the appropriate banking products, services and financial education they need. The program works with educators, employers, and city agencies to make sure young people are prepared with job skills and money management skills to succeed as they become adults. We know from their experience that these programs work, because there is no better time to address financial inclusion than with young people receiving their first pay check. We have heard from cities and youth leaders around the country that this is needed and can make a real difference in our communities. With one in three American households lacking a savings account, leaving them more vulnerable when emergencies arise, we know that providing savings options is critical for young people starting financial adulthood.

Of course, savings is only one part of the equation. Without savings to weather emergencies, credit is the next best option. However, access to revolving credit has declined and many Americans turn to predatory lenders for their short-term financial needs. Tomorrow, I will take a tour with Self-Help Federal Credit Union and see how they have used CDFI Fund's Financial Assistance program to test a hybrid credit union and check cashing model. By purchasing existing check cashing outlets, Self Help created Community Trust Prospera, which provided community residents with a small physical structure that is safe, inviting and accessible to those not comfortable using a traditional bank. The Community Trust Prospera branches served over 40,000 credit union members and clients. I am looking forward to interacting with some of their customers tomorrow and understanding the lessons Self Help learned from this program.

This is a powerful example of how a small amount of federal support can make a huge difference to a community. That's why Treasury is partnering with the National Credit Union Administration to double the number of CDFI-certified low-income credit unions in 2016. One in thirteen US household have no bank account and more than 20 percent of US households rely on alternative financial services to complete all of their financial transactions. The agreement signed by Treasury and NCUA will help streamline the application process for low-income credit unions to be certified as CDFIs and will help bring the CDFI Fund's resources to more low income communities around the nation.

Together, the CDFI Fund and NCUA will test a model to facilitate the exchange of data to minimize the application and reporting burden on credit union participants in the programs of the CDFI Fund. If successful, Treasury would like to explore the model with the bank regulators to help more community banks serving low-income communities become CDFIs. With CDFI certification, financial institutions can access training and competitive award programs provided by the CDFI Fund, and these resources can aid these institutions' capacity to provide under-served communities with access to safe and affordable financial services.
Which brings me to the final tool – our programs.

The CDFI Fund has awarded more than $2 billion in grant funding to local community financial institutions all over the country. This money is leveraged many times over by CDFIs to create an even greater impact in the communities they serve. While we are proud of the work the CDFI Fund has achieved, we recognize that there is still more work ahead to reach individuals who lack access to financial services in so many communities in our country.

Through the CDFI Program, the CDFI Fund's flagship program, Treasury provides technical and financial assistance awards to CDFIs. The CDFI Program is the primary way the CDFI Fund builds the capacity of CDFIs to serve low-income people and communities that lack access to financial products and services.

Per the statute, financial assistance awards may be used by CDFIs to develop or support a number of activities including: commercial facilities; businesses that provide jobs for low-income people or enhance the availability of products and services to low-income people; community facilities; housing that is principally affordable to low income people; and the provision of basic financial services. However, over the last 20 years, we've found that program funding has primarily been used to support community development lending and real-estate backed projects.

While that part of community development is vital and important, we need to emphasize the many ways CDFI Program funding can be used to fulfill the intent of the statute and assist all CDFIs to serve their investment areas or target populations. We are revamping the Fiscal Year 2017 application in order to foster a more diverse pool of applicants and uses of funds. The CDFI Fund will implement a number of changes to the CDFI Program that will encourage greater diversity in the use of FA awards, specifically those that increase the availability/utilization of banking services for unbanked and underbanked populations. There is role for both lending and retail financial services in creating and promoting financial inclusion for individuals and small businesses and we want to make sure that all types of CDFI programs and services are supported with program funding.

In addition, Treasury also has the ability to encourage institutions to work together toward a common goal of strengthening our communities. The CDFI Fund statute contemplates the use of community partnerships to expand lending and investment into to low income areas. We are reviving that mechanism of the program and expanding the reach of the CDFI Program by emphasizing the ways awards can be used for financial inclusion and raising awareness that CDFIs can partner with retail financial institutions to offer much-needed services. We hope that with outreach and training, community partnerships between CDFIs, non-profits, community organizations and even mainstream financial institutions will be formed in order to increase the depth and reach of CDFIs.

Finally, through the budget process, we are working to increase the level of funding for our programs. The 2017 budget proposes to increase the funding for the Bank Enterprise Award Program. The BEA program provides funding for FDIC-insured banks and thrifts for their community development activities. Through an increase in funding, Treasury hopes that these institutions will increase their number of small dollar consumer loans, youth savings accounts and other retail financial services.

In addition, this year's budget proposes a new Small Dollar Loan program to help all CDFIs – banks, nonprofits and credit unions - address the issue of predatory lending in their communities and provide an alternative to payday lenders. This program will provide grants to CDFIs to establish loan loss reserves and provide technical assistance to establish small dollar loan programs. The President's Budget also calls for extending the State Small Business Credit Initiative, a program that provides credit support for small business lending. From 2011-2014, California leveraged $8.6m in SSBCI funds to support $82.4m in CDFI lending to over 4,000 small businesses, most of which were microbusinesses.

In a moment, you'll hear from a panel about other ways that CDFIs are finding innovative solutions to deliver what their communities need, including partnerships with banks and other tools that will promote a more inclusive financial system. By partnering with other entities, CDFIs may be able to better connect with technologies that will help make them sustainable in years to come, and provide products and services for younger generations.

I look forward to continuing this work on financial inclusion and thank you for being a part of a movement to foster a financial system that works for all Americans.

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