



NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

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Comptroller Hawke Tells House Panel National Banks Are in Sound Condition

WASHINGTON -- Comptroller of the Currency John D. Hawke, Jr. told a House panel today that the national banking system is in excellent health and that national banks are continuing to play their traditional role of providing investment capital to America's businesses and communities.

"By historical standards, the system is exceedingly well capitalized," he said in testimony before the House Financial Services Committee. "Today all national banks, with minor exceptions, have risk-based capital above 8 percent, and less than one percent of national banks have risk-based capital below ten percent. In 2003, the national banking system set new earnings records, as measured by return-on-equity and return-on-assets."

The OCC is also in sound financial condition, he said. "We have focused on modernizing our financial operating systems and ensuring that we manage our financial resources wisely. The agency's budget has been balanced every year during my tenure as Comptroller, and we have been building our strategic contingency reserve to ease the impact of unforeseen disruptions to our operations or unexpected demands on our resources."

The OCC expects to reach its goal of building reserves equal to six months operating expenses by the middle of 2005, Mr. Hawke said.

The Comptroller also discussed two recent regulations that clarify the types of state laws that apply to national banks and the OCC's exclusive authority to supervise national banks.

"Let me state emphatically that neither regulation involves any fundamental shift in regulatory roles or responsibilities; neither alters the OCC's continuing commitment to consumer protection; and neither should impose new or unmanageable burdens on our enforcement and compliance resources," Mr. Hawke said.

"Indeed, our new preemption rule materially strengthens our ability to fight predatory lending by prohibiting national banks from making any consumer loan based predominantly on the foreclosure or liquidation value of a borrower's collateral, and disregarding the crucial question whether the borrower can afford the loan," Mr. Hawke added.

The Comptroller said the OCC has a proud record of protecting consumers against abusive and unfair banking practices. The OCC has pioneered supervisory innovations that have been emulated by other agencies, including its use of Section 5 of the Federal Trade Commission Act as a basis to take administrative enforcement actions against banks that engage in unfair and deceptive practices. In

addition, the OCC thwarted efforts of payday lenders to use national bank charters to evade state and local consumer protection laws and adopted special procedures to assure full and prompt consideration of customer complaints referred to the OCC by state officials.

Mr. Hawke said that compliance with consumer laws and regulations is a high priority for the OCC and is handled by examiners located throughout the country, supplemented by the OCC's Customer Assistance Group (CAG), a sophisticated, state-of-the-art call center in Houston.

"Over 100 OCC examiners throughout the country are compliance specialists; they not only perform detailed compliance examinations, but also serve as expert advisors on consumer protection issues to other examiners," he said. "And our 1700 person-strong field examination staff is backed by dozens of attorneys," Mr. Hawke added.

"While some have mistakenly concluded that CAG is the means by which we carry out our enforcement and compliance responsibilities, that is not at all the case," Mr. Hawke said. "Enforcement and compliance remains – first and foremost -- the responsibility of our large battery of examiners and attorneys. But CAG is a very important adjunct to that resource."

The Comptroller also told the committee that work on the proposed Basel Capital accord is far from over. Before final implementing regulations can be adopted, he said, regulators must complete a number of tasks, including a quantitative impact study and an economic impact analysis.

"I am confident that as this process moves ahead we will uncover a great many more issues that will require us to go back to the Basel Committee for appropriate responses, and I also feel confident that the current implementation date of year-end 2006 will be difficult, if not impossible, to realize," he said.

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The OCC charters, regulates and examines approximately 2,000 national banks and 51 federal branches of foreign banks in the U.S., accounting for more than 56 percent of the nation's banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.