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Welcoming Remarks

by

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Member

Board of Governors of the Federal Reserve System

at

“Expanding the Impact: Increasing Capacity and Influence,” the 2017 Interagency
Minority Depository Institution and Community Development Financial Institution Bank
National Conference

Los Angeles, Calif.

April 5, 2017

Thank you, Donna. Good morning and welcome to the Federal Reserve. We are honored to have you here today as we host the biennial Interagency Minority Depository Institution (MDI) and Community Development Financial Institution Bank Conference. My colleagues from the Federal Reserve Bank of San Francisco and I are especially honored to be hosting you in Los Angeles. As you probably know, all of the previous Interagency MDI conferences have been held on the East Coast, mainly in Washington, D.C. However, because the largest concentration of minority banks is located here in Southern California, it seemed natural to bring this conference west.

The Federal Reserve seeks to support MDIs in a number of ways, including our Partnership for Progress, our program for outreach and technical assistance to MDIs. Both the Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation share our goal of preserving and promoting MDIs because you are critical institutions to the communities you serve and the larger U.S. economy. And I note that Congress has also recognized your importance, mandating our respective agencies to help support MDIs. From the perspective of someone who sits on the Federal Open Market Committee, I see many ways that the Federal Reserve can not only support MDIs but is itself also supported by them, and I would like to talk about four of these ways today.

First, half of our monetary policy mandate is maximum sustainable employment. That means that we need to be aware of employment trends across all communities in America, not just the top-line averages, since unemployment rates vary significantly across races and geographies. For the first time, last year, we put into our *Monetary Policy Report* to Congress a section that detailed how post-recession economic gains

have been distributed across races.¹ You, as MDIs, are committed to understanding and serving these diverse communities. I know that, for example, your small business loans to minority business owners make a difference in the employment rates of minority communities. I thank you for that work, and we will continue to work closely with you to better understand the employment dynamics of underserved and minority communities.

Second, the Fed is unique as a research institution. We have many economists on staff and therefore have the ability to engage in wide-ranging research that may be useful to your firms and communities. Specific to MDIs, we commissioned two new research papers for this conference to better understand trends in the MDI banking field. In addition, we have two new research papers on MDIs out of the Chicago Fed, one that explores MDI primary markets, and one that looks at MDI small business lending. Tomorrow you'll have an opportunity to hear about and discuss this new research, which will be finalized later this year.

Third, we have a great deal of expertise in community banks, which I know most of you are. Of the 829 state member banks that the Federal Reserve directly supervises, 97 percent are community banks. Therefore, we spend a good deal of time thinking about the issues facing community banks and how to help them be competitive in today's economy. I recognize that as MDIs you share many of the same issues as other community banks, and also some issues that are unique to your sector. We want to work with you to better understand those issues and to help you, where possible, to better serve your communities.

¹ Board of Governors of the Federal Reserve System, *Monetary Policy Report* (Washington: Board of Governors, June 21, 2016), www.federalreserve.gov/monetarypolicy/files/20160621_mprfullreport.pdf.

Fourth, and last, the Fed has a unique Community Development function that seeks to mobilize ideas, networks, and approaches that address a wide range of community and economic development challenges. One thing that makes our Community Development function unique is that we have deep geographic coverage at the 12 Reserve Banks and their Branch locations. Last year, we combined the resources of our Supervision and Regulation division with those of our Community Development department to staff our Partnership for Progress. By bringing in Community Development, we brought in a new perspective, one that has an explicit focus on low- and moderate-income communities. We know that you serve many of these same individuals and communities, and we are asking our Community Development staff around the country to reach out to you to gather your perspectives on the communities you serve to identify emerging issues of which we should be aware.

In closing, your institutions are important to the American economy and our understanding of that economy. Therefore, on behalf of the Federal Reserve, I'd like to once again thank you for the work you do in your communities and welcome you to Los Angeles.