



Preserving Minority Depository Institutions

April 2018

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM



Preserving Minority Depository Institutions

April 2018

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Preface

The Board of Governors of the Federal Reserve System (Board) is responsible for implementing numerous provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), including mandates to preserve and promote Minority Depository Institutions (MDIs). The Dodd-Frank Act requires, among other things, that the Board produce reports to Congress on a number of topics.

The Board maintains a Regulatory Reform website, which provides an overview of regulatory reform

efforts implementing the Dodd-Frank Act and a list of the implementation initiatives completed by the Board as well as the most significant initiatives the Board expects to address in the future.¹

¹ Board of Governors of the Federal Reserve System, “About Regulatory Reform,” www.federalreserve.gov/regreform/about.htm; “Implementing the Dodd-Frank Act: The Federal Reserve Board’s Role,” www.federalreserve.gov/newsevents/reform_milestones.htm.

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Abbreviations

BSA/AML	Bank Secrecy Act/Anti-Money Laundering	FIRREA	Financial Institutions Reform, Recovery, and Enforcement Act of 1989
CD	Community Development	FRB	Federal Reserve Bank
CDFI	Community Development Financial Institution	LMI	Low- and moderate-income
CRA	Community Reinvestment Act	MDI	Minority depository institution
C&CA	Consumer and Community Affairs (Federal Reserve Board Division)	PFP	Partnership for Progress
FDIC	Federal Deposit Insurance Corporation	SMB	State member bank
		S&R	Supervision and Regulation (Federal Reserve Board Division)

Executive Summary

The Board submits this report pursuant to section 367 of the Dodd-Frank Act. Section 367 of the Dodd-Frank Act requires the Board to submit an annual report to the Congress detailing the actions taken to fulfill the requirements outlined in section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989, as amended by the Dodd-Frank Act in 2010. In addition to the annual reporting requirement, FIRREA section 308 requires the Federal Reserve System (System) to devote efforts toward preserving minority ownership of minority depository institutions (MDIs).

The System's Partnership for Progress (PFP) program was established in 2008 because the System recognized the importance of MDIs and wanted to independently take steps to preserve and promote these institutions. The System supports an inclusive financial system and understands the challenges inherent in providing access to credit and other financial services in traditionally underserved areas. As such, the System remains committed to identifying additional opportunities to support the preservation of these organizations.

At year-end 2017, the System supervised 16 MDIs, which collectively represented approximately 2 percent of the 801 community and regional banks in the System's community and regional banking organizations portfolio. To support these institutions and to accomplish minority depository-related FIRREA goals, the System continues to dedicate resources to engage in outreach and technical assistance activities. Throughout 2017, staff from the Board as well as PFP-dedicated staff from each of the 12 Federal Reserve Banks (FRBs) engaged in activities to support MDIs. Highlights of those activities included

- organizing the biennial Interagency Minority Depository Institutions and Community Development Financial Institutions (CDFI) Bank Conference that took place April 5-6, 2017, in Los Angeles, California. The meeting was hosted at the Los

Angeles branch of the Federal Reserve Bank of San Francisco, and all planning was done in conjunction with staff from the Office of the Comptroller of the Currency (OCC) and Federal Deposit Insurance Corporation (FDIC). The theme of the conference was "Expanding the Impact: Increasing Capacity & Influence," and attendance included over 175 people, mostly consisting of MDI bank leadership;

- organizing a post-conference workshop with the CDFI Fund to educate non-CDFI MDIs about the benefits and application process of CDFI certification;
- strengthening the partnership between the Board's Division of Consumer and Community Affairs (C&CA) and Division of Supervision and Regulation (S&R) divisions to share management of the PFP program and diversify the resources and programming available to MDIs. The System also worked to encourage partnership between examiner and community development staff at the Federal Reserve Banks (FRBs) to bring additional resources to MDIs around the country;
- attending the National Bankers Association (NBA) annual meeting in Washington, D.C., and hosting an exhibit table;
- providing technical assistance to MDIs on a wide variety of topics, including improving regulatory ratings, navigating the regulatory applications process, understanding changes to the Community Reinvestment Act, and refining capital-planning practices;
- co-sponsoring the "Forum for Minority Bankers," which was a partnership between the Board of Governors and the Federal Reserve Banks of Kansas City (lead sponsor), Atlanta, Richmond, Philadelphia, and St. Louis. The forum is a national program that provides minority bank leaders with industry and leadership development knowledge that will enhance their careers and networks. It was held in September 2017 in Kansas City, Missouri;

- facilitating in-person meetings between Federal Reserve and MDI leaders to better understand the challenges and opportunities facing Federal Reserve-regulated MDIs;
- presenting Federal Reserve-commissioned research on MDIs at the annual interagency conference in Los Angeles and commissioning further research for 2018 to broaden the body of research material available to MDIs; and
- maintaining a public website, which provides a full menu of banking resources—including regulatory guidance—relevant to MDIs.²

² For details on the Partnership for Progress program and the range of available resources, see www.fedpartnership.gov.

Section 308 of FIRREA

Section 308 of FIRREA, as amended by the Dodd-Frank Act, requires

(a) **CONSULTATION ON METHODS.**—The Secretary of the Treasury shall consult with the Chairman of the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Chairman of the National Credit Union Administration, and the Chairperson of the Board of Directors of the Federal Deposit Insurance Corporation on methods for best achieving the following:

- (1) Preserving the present number of minority depository institutions.
- (2) Preserving their minority character in cases involving mergers or acquisition of a minority depository institution by using general preference guidelines in the following order:
 - (A) Same type of minority depository institution in the same city.
 - (B) Same type of minority depository institution in the same State.
 - (C) Same type of minority depository institution nationwide.
 - (D) Any type of minority depository institution in the same city.
 - (E) Any type of minority depository institution in the same State.
 - (F) Any type of minority depository institution nationwide.
 - (G) Any other bidders.
- (3) Providing technical assistance to prevent insolvency of institutions not now insolvent.

(4) Promoting and encouraging creation of new minority depository institutions.

(5) Providing for training, technical assistance, and educational programs.

(b) **DEFINITIONS.**—For purposes of this section—

(1) **MINORITY FINANCIAL INSTITUTION.**—The term “minority depository institution” means any depository institution that—

(A) if a privately owned institution, 51 percent is owned by one or more socially- and economically-disadvantaged individuals;

(B) if publicly owned, 51 percent of the stock is owned by one or more socially- and economically-disadvantaged individuals; and

(C) in the case of a mutual institution, the majority of the board of directors, account holders, and the community which it services is predominantly minority.

(2) **MINORITY.**—The term “minority” means any Black American, Native American, Hispanic American, or Asian American.³

In addition, section 367 of the Dodd-Frank Act amended FIRREA to require the supervisory agencies to submit an annual report to the Congress containing a description of actions taken to carry out FIRREA section 308.

³ Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 (1989).

State-Member MDIs

During 2017, the System retained primary supervisory responsibility for 16 state-member⁴ MDIs, which, with few exceptions, are community banks,⁵ having total assets of \$10 billion or less (see [table 1](#)). (For more details on the 16 state-member MDIs discussed in this report as well as a comparison of the number, assets, and demographics of state-member MDIs from 2013–17, see appendix A.)

Accordingly, the System’s community banking organizations program⁶, which is responsible for the risk-focused supervision of state-member banks (SMBs) with less than \$10 billion in total assets, maintains oversight responsibility for the System’s portfolio of MDIs. The PFP program is jointly managed by the Community Banking Organizations (CBO) section of S&R and the Community Development (CD) section of C&CA. The CD function within the System—consisting of individual community development departments at each of the 12 FRBs as well as at the Board—promotes economic growth and financial stability for lower-income communities and individuals through a range of activities, including convening stakeholders, conducting and sharing

research, and identifying emerging issues. The two divisions share in the staffing of the PFP program and have appointed senior officers from both divisions to co-chair the program’s Executive Oversight Committee. The 2017 PFP programing reflected the strengths of both divisions and emphasized coordination between the two functions in the Reserve Bank districts. The System also worked to encourage partnership between examiner and community development staff at the FRBs to bring additional resources to MDIs around the country.

Geographic Dispersion

At year-end 2017, state-member MDIs were located in seven of the 12 Reserve Bank Districts⁷ with assets concentrated in the New York and San Francisco Districts (see [table 2](#)). State-member MDIs in these two Districts accounted for 98 percent of the total SMB assets domiciled in the System’s MDI portfolio.

⁴ The term “state-member” refers to state-chartered banks that are members of the Federal Reserve System.

⁵ For supervisory purposes, community banks are generally defined as those with less than \$10 billion in total consolidated assets.

⁶ Comprising staff in the Divisions of Supervision and Regulation and Consumer and Community Affairs.

⁷ Reserve Banks for the 12 Districts are headquartered in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco.

Table 1. Asset distribution of state-member MDIs

Asset size	Number of banks	Percentage of total
\$250 million or less	8	50
\$251 million to \$500 million	4	25
Over \$500 million to \$1 billion	1	6
Over \$1 billion to \$10 billion	1	6
Greater than \$10 billion	2	13
Total	16	100

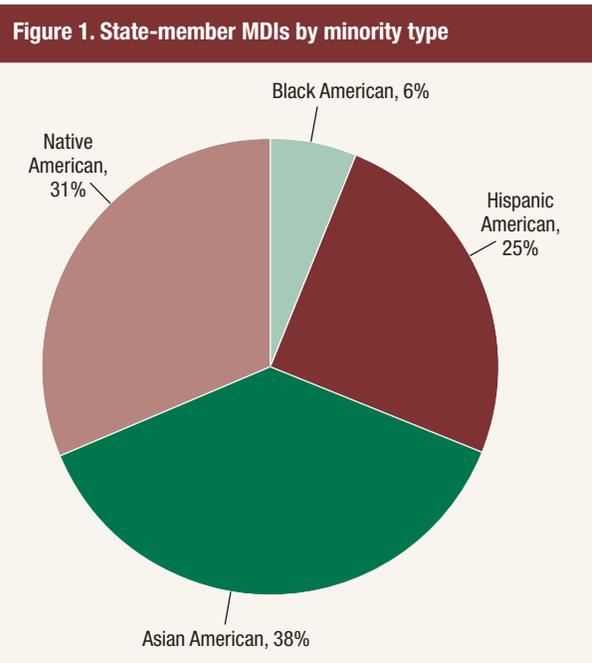
Table 2. State-member MDI distribution

Reserve Bank District	Number of MDIs	Total assets (millions of dollars)	Percentage of total assets
Atlanta	1	428,579	0.50
Chicago	2	384,978	0.45
Dallas	1	213,389	0.25
Kansas City	5	767,359	0.90
New York	2	43,894,165	51.43
Philadelphia	1	186,429	0.22
San Francisco	4	39,471,746	46.25
Total	16	85,346,645	100.00

Source: Consolidation Reports of Condition, as of December 31, 2017.

Minority Ownership Type

The System's MDI portfolio includes banks representing all minority ownership categories as defined by FIRREA. Consistent with national demographics for all MDIs, as of year-end 2017, most state-member MDIs were under Asian American ownership (figure 1).



Research on MDIs and Low- and Moderate-Income Communities

To better understand the environment and recent challenges minority banking institutions face, the Board began commissioning new research on MDIs. Through literature reviews and conversations with MDI bankers, the Board recognized that there had been very little new MDI-specific research produced in recent years. Therefore, in 2016 the Board commissioned two papers that were completed in 2017. The research was intended to answer questions about the emergency of new MDIs and the financial performance of MDIs during the recent financial crisis. Both papers were presented at the 2017 Interagency MDI and CDFI Bank Conference in Los Angeles, California, and also posted to the PFP website.⁸

Wei Li from Arizona State University authored the first commissioned paper. It is entitled “Minority Depository Institutions at the Dawn of the 21st Century,” and the abstract is below.

Financial globalization and international migration have altered the socioeconomic demographic makeup as well as the financial dynamics in immigrant-receiving countries. An outcome is the emergence and strengthening of a formal financial sector consisting of financial institutions that are owned and/or operated by a variety of ethnic groups. Known as minority depository institutions (MDIs), they are often small community banks associated with an ethnic minority group. This paper examines how MDIs are rooted and localized in different ways with different groups, and are shaped by different regulatory and institutional contexts. Specifically, it finds that MDIs serve co-ethnics first and foremost, and utilize ethnic assets, bonding social capital in particular, to develop their customer base while branching out to other groups by developing bridging social capital and broadening their product lines.

Breck Robinson from the University of Delaware authored the second commissioned paper. It is entitled “A Capital Infusion Program for Community Development: The Case of the Community Development Capital Initiative” and the abstract is below.

This study investigates the Community Development Capital Initiative (CDCI)⁹ program, the characteristics of the participants, and their subsequent small business lending behavior. Results show that participating banks are larger, older, and hold relatively less loan loss reserves when compared to a control sample of non-participating banks. While participating banks experience stronger growth in small business lending in comparison to a control group of non-participating peers, the results do not indicate that the CDCI program led to an increase in small business lending. Overall, participation in the CDCI program did not lead to the desired result: an increase in small business lending by participating banks.

In mid-2017, the Board also commissioned two new pieces of MDI research, which will be delivered in mid-2018. Melody Chiong will author a study entitled “Minority Depository Institutions and Inclusive Community Development in California’s Post-Crisis Urban Context,” and Russ Kashian at the University of Wisconsin Whitewater will author a study entitled “The Economic Impact and Societal Gain from United Bank of Philadelphia Financing of Philadelphia Technician Training Institute.” Both

⁸ www.fedpartnership.gov/federal-reserve-resources

⁹ The U.S. Department of the Treasury created the Community Development Capital Initiative (CDCI) in 2010 to help viable certified Community Development Financial Institutions (CDFIs) and the communities they serve. Under this program, CDFI banks, thrifts, and credit unions received investments of capital. CDFIs that participated in the Capital Purchase Program (CPP) and were in good standing could exchange securities issued under the CPP for securities under the more favorable terms of this program. Eighty-four institutions received investments totaling approximately \$570 million.

will papers/studies will be presented via webinar to MDI bankers in mid-2018.

In addition, Federal Reserve economists at the Federal Reserve Bank of Chicago released two new research papers on MDIs in 2017. Maude Toussaint-Comeau and Robin Newberger co-authored “Mission-Oriented Bank Closings and Small Business Credit Availability in Low-Income and Minority Neighborhoods” and “Minority-owned banks and their primary local market areas.”

On February 22, 2017, the Board hosted a webinar for all MDI bankers during which Toussaint-Comeau and Newberger presented their findings from their “Minority-owned banks and their primary local market areas” paper. Below is a summary of their findings.

In this article, we analyze the experience and performance of MDIs in their primary local service areas in recent periods, including before, during, and after the 2008 financial crisis. We provide a review of the sector, highlighting key policies and initiatives pertaining to and affecting these institutions, and provide a brief review of previous research. We document trends in the sector, including: 1) the characteristics of the locations where MDIs tend to do business; 2) the changing landscape of MDIs in terms of openings, closings, and mergers by ethnic ownership; and 3) the performance of MDIs as measured by selected financial ratios, including loan quality, operating income, and funding sources. We present these trends over time, comparing MDIs with nonminority-owned (non-MDI) community banks.

The results of our analysis confirm previous research findings that suggest that MDIs are more likely to focus on communities of diverse ethnic and immigrant backgrounds, and within similar markets MDIs may be lending to different customers that have relatively greater income and credit constraints than those served by non-MDIs (for example, Kashian et al, 2014). In addition, we analyze the implications of changes to MDI banking structure (such as institutional closures) in places in which these banks have traditionally operated. We find mixed prospects for access to financial services. On the one hand, the MDI sector as a whole appears to have continued to maintain a presence in some markets to a greater extent than the aggressive closure

rates of these institutions would suggest. That is, even during an active period of mergers, acquisitions, and failures within the sector, new MDIs were being formed; and some MDIs were able to expand their deposits and geographical footprint. However, there is reason for concern in terms of the overall MDI sector’s prospects for expanding its reach to customers in low-income areas, subsequent to the financial crisis. In some instances where MDIs have closed, they are being replaced by non-MDIs.

Toussaint-Comeau also presented along with Li and Robinson at the April 2017 MDI interagency conference in Los Angeles. At that meeting, Toussaint-Comeau discussed the findings from their paper “Mission-Oriented Bank Closings and Small Business Credit Availability in Low-Income and Minority Neighborhoods.” Below is the abstract of that paper.

We conduct an investigation examining the relationship between bank closings and change in credit availability to local areas. The results of our research show significant frictions in credit supply to small businesses as a result of banks closings, including Minority Depository Institutions and Community Development Financial Institutions (mission-oriented banks), which appear potent enough to cause cumulative declines in aggregate small business lending in certain neighborhoods. We also find evidence that such bank lending supply effects have repercussions on the growth of the number of small businesses. We find this to be true particularly for LMI and minority neighborhoods. In part some of the changes in credit in local areas stem from disruptions in lending relationships or changes in bank branch presence. Some of the effects of bank credit supply shocks are mitigated by policy interventions, such as whether FDIC bank-closing interventions involved loss sharing agreements, and the extent of banking concentration or competition in the local area.

In addition, throughout 2017, FRB staff published articles and surveys that both evaluated conditions in low- and moderate-income (LMI) communities and described efforts to support them, including by community banks. Much of this research came out of the community development function at the Board and Reserve Banks. Because the success of MDIs is often dependent on the health of the communities they serve, these articles are particularly relevant to the

MDI business model. In addition, several of these articles noted the difficulty minority and LMI populations have accessing credit from mainstream financial institutions. Given the mission and customers served by many MDIs, this research could help bolster the argument that MDIs are necessary and fill a credit gap left by larger, mainstream financial institutions. These articles intend to provide service providers, policymakers, and others with a gauge to assess the needs of these communities and to evaluate changes in the economic conditions of these populations.

The following list highlights some of the articles and surveys published during 2017:

- *Low- and Moderate- Income Surveys*¹⁰: Several FRBs, including the Federal Reserve Bank of Kansas City, which retains a large number of state-member MDIs, publish quarterly results from surveys designed to measure the economic conditions of LMI populations and the condition of organizations that serve them.
- *Research on Ethnic Minority Neighborhoods*: Federal Reserve researchers also are interested in understanding the health, challenges, and opportunities of ethnic minorities across the United States. In 2017, the Federal Reserve Bank of Chicago released a study entitled “Competitiveness of Ethnic Minority Neighborhoods in Metropolitan Areas in the Seventh District.” This article examined employment change in ethnic minority neighborhoods and the extent to which these places are integrated in their region’s economy, and explored the different factors associated with this integration.¹¹
- *2017 Small Business Credit Survey*: Timely information on small business financing needs, decisions and outcomes is critical to understanding and fostering the sector’s health and growth. This is especially important for MDI banks, many of whom specialize in small business lending to minority-owned businesses. To provide these insights to policymakers, researchers and service providers, the Small Business Credit Survey is a national collaboration among the 12 Federal Reserve Banks of the System. In 2017, the Federal Reserve Bank of New York conducted a survey of Puerto Rico, home to Banco Popular, the largest Fed-regulated MDI. The goals of the survey were to fill data gaps and to provide stakeholders, including policymakers, relevant and timely information on this important economic sector. This survey was completed in May 2017, prior to hurricanes Irma and Maria, which caused extensive damage across Puerto Rico. Therefore, the results of this year’s survey do not necessarily accurately reflect the current state of the sector post-storms. Where these and last year’s results may prove useful is in establishing benchmarks, both point-in-time and trends, as the island and the small business sector recover. The Federal Reserve Bank of New York will continue to monitor this and other economic developments in Puerto Rico, recognizing that the top priority remains meeting the immediate humanitarian needs of the people of Puerto Rico.¹²

¹⁰ For an example of an LMI survey, see the Federal Reserve Bank of Kansas City’s website www.kansascityfed.org/research/indicatorsdata/lmieconomicconditions.

¹¹ www.chicagofed.org/publications/profitwise-news-and-views/2017/competitiveness-of-ethnic-minority-neighborhoods-in-metropolitan-areas-in-the-seventh-district

¹² www.newyorkfed.org/medialibrary/media/outreach-and-education/puerto-rico/PR_SmallBusinessSurvey_2017_FINAL.pdf

Efforts and Initiatives

In 2017, the System undertook a number of efforts and special initiatives to meet the congressional mandate for preserving and promoting MDIs. The goal of these activities was to support and engage in outreach.

Partnership for Progress Programing

Throughout 2017, the Federal Reserve conducted a number of programs specific to MDIs, including

- the Federal Reserve Bank of Kansas City, in partnership with the Board and the Federal Reserve Banks of Atlanta, Minneapolis, Philadelphia, Richmond, and St. Louis, hosting the second annual forum designed to provide minority bankers with industry knowledge and development to enhance their careers and grow their professional networks. *Banking and the Economy: A Forum for Minority Bankers* was held during September 2017 at the Kansas City Fed's headquarters. The forum featured insights from leaders across the System and the financial services industry on topics including cybersecurity, leadership development, cultural intelligence, and more. Forum sessions included discussions on banking trends, effective leadership, and the economic outlook for banks nationwide. All MDI banks were invited.
- an ongoing initiative in 2017 that set up individual meetings between Federal Reserve leadership and MDI SMB leadership. To that end, on April 5, 2017, then-Governor Jerome Powell met with the CEOs of two MDI SMBs to discuss their business models as well as market opportunities and regulatory challenges they foresee in the near future. The two CEOs were Joanne Kim of CBB Commonwealth Business Bank and Dominic Ng of East West Bank, both Asian MDIs based in Los Angeles.
- in October 2017, Board and Reserve Bank staff represented PFP at the annual National Bankers

Association (NBA) conference in Washington, D.C. The NBA is a trade organization for minority- and women-owned financial institutions that serves as an advocate for the nation's MDI's on legislative and regulatory matters concerning and affecting its members and the communities they serve. The NBA also offers a number of services, including vendor financing, cash management services, and corporate trust accounts, among others. The annual conference attracts dozens of MDI leaders. This year's NBA conference was attended by multiple speakers, including Senator Tim Scott and Congresswoman Maxine Waters. Consistent with past years, the PFP hosted an exhibit booth at the conference.

MDI Interagency Conference

Every two years, the federal banking regulatory agencies (FDIC, OCC, and Federal Reserve) host an interagency conference for FDIC-insured MDIs and CDFI banks to help preserve and promote their mission. The 2017 conference was held April 5-6 at the Los Angeles branch of the Federal Reserve of San Francisco.

Senior federal officials and MDI and CDFI bank executives explored how to *Expand the Impact: Increase Capacity and Influence* of these institutions. The conference began with opening remarks from the principals of each agency: FDIC Chairman Martin Gruenberg, then Federal Reserve Board Governor Jerome Powell, and Comptroller of the Currency, Thomas Curry. The conference encouraged interactive discussion, provided a valuable networking opportunity, and set the stage for further discussions on the importance of MDIs and CDFIs to the communities they serve. More than 200 people attended the conference, including 109 bankers representing 74 institutions.

The conference covered a diverse range of topics that included

- updates from senior officials from federal agencies on resources, programs, policies, and research that can help minority and CDFI banks achieve goals;
- bank CEOs “telling their story,” communicating their strategies and successes, and making recommendations to the industry, federal policy makers and others;
- interactive workshops that invited CEOs and other key partners to explore partnership opportunities;
- discussion on innovation and the evolving financial services landscape with examples of successful responses by community and midsize banks; and
- challenges and successes in attracting, developing and retaining the next generation of bank leaders and managers.

At the end of the conference, attendees were asked to complete an evaluation. Overall, the conference attendees were satisfied with the conference and rated it very highly. Conference participants also provided feedback that the conference topics were relevant to their work.

Preserving the Character and Number of MDIs

To preserve the character and number of state-member MDIs, staff from the Board’s applications function, if necessary, coordinate with the FDIC to help identify healthy minority banking organizations capable of acquiring or merging with state-member MDIs that are in troubled condition. To this end, PFP staff provide the FDIC with a quarterly list of all MDIs under System supervision. The Federal Reserve’s application function continues to offer a pre-filing option for banking applications that provide critical feedback on potential issues to help avoid processing delays.

Promoting the Creation of MDIs

The System strives to promote the creation of new MDIs by providing guidance about the regulatory minority bank ownership, informing MDIs of advantageous federally sponsored programs, and promoting community development. These web posts also provide guidance about financial institution development, including information about the

process of starting a bank, managing a bank through the de novo period, and growing shareholder value while ensuring safe and sound operations. Further, district coordinators from each Federal Reserve Bank periodically discuss emerging issues, attend conferences, serve on local exam teams during examinations, and collect feedback from MDIs on what they are seeing and how the PFP can provide additional assistance.

In 2017, Board Applications and PFP staff held a discussion with an individual who is interested in starting a de novo Black-owned MDI. The proposed de novo was in the early stages of the process, and the System answered his questions as well as directed him to additional Federal Reserve, FDIC, and OCC technical assistance materials.

Training, Technical Assistance, and Educational Programs

District coordinators from each FRB meet regularly with MDI management to discuss emerging issues and provide technical assistance, especially to those in troubled condition, to explain supervisory guidance, discuss challenges, and respond to management concerns. Trending topics discussed throughout 2017 included IT/cybersecurity, concentrations in commercial real estate, interest rate risk, capital planning and rules, Bank Secrecy Act and anti-money laundering compliance, third-party vendor management, and the Community Reinvestment Act. These conversations aim to help MDIs and provide the PFP with valuable insight and feedback on challenges facing MDIs.

Partnership for Progress Website

Consistent with past years, one of the primary vehicles for distributing educational materials relevant to MDIs continues to be the System’s [PFP website](#).¹³ This website promotes the creation of MDIs by

- providing information about new regulations and their impact on community banking organizations;
- advertising regulatory and agency events relevant to MDIs; and

¹³ www.fedpartnership.gov/

- sharing information focused on market conditions and economic data related to areas typically served by MDIs.

To ensure continued relevance of posted material, PFP representatives regularly update the website.

Publications

The System continues to support enhanced communications with community banks, including MDIs. To this end, the System disseminates important information about regulatory matters through a variety of publications, most of which are accessible through links on the PFP website.

Of particular use to state-member MDIs is the System's *Community Banking Connections*® publication.¹⁴ This publication serves to

- clarify key supervisory guidance;
- highlight new regulations;
- provide perspectives from bank examiners and System staff; and
- address challenges and concerns facing community banks and provide resources to assist them.

¹⁴ *Community Banking Connections* is a registered trademark of the Federal Reserve Bank of Philadelphia, www.communitybankingconnections.org/.

During 2017, *Community Banking Connections* offered articles on a range of timely topics, including the use of technology to better deliver banking products and services (fintech); challenges posed by improving bank efficiencies; cybersecurity; a recap of the Economic Growth and Regulatory Paperwork Reduction Act initiatives; use of evaluations in real estate lending; and the importance of third-party vendor risk management programs.

The System's *FedLinks*™ publication¹⁵ is another resource that offers information and guidance useful to MDIs. This publication serves to

- discuss supervisory topics that are important to community banks;
- highlight the purpose of related supervisory policy and guidance, if applicable;
- provide examples and illustrations to demonstrate the practical application of covered topics; and
- provide integrated summaries that describe how examiners typically will address the covered topic.

During 2017, *FedLinks* included several articles applicable to MDIs, including, "Management of Reserve-Based Energy Lending." In the past, topics have included agricultural credit risk management, intercompany transactions, and BSA.

¹⁵ *FedLinks*, a part of *Community Banking Connections*, highlights key elements of supervisory topics to improve clarity and understanding, www.communitybankingconnections.org/fedlinks.

Appendix A

Table A.1. State-member MDIs

ID RSSD	Institution name	State	Reserve Bank District	Assets (millions of dollars)
146056	Allnations Bank	OK	Kansas City	51,157
2785477	Asian Bank	PA	Philadelphia	186,429
940311	Banco Popular de Puerto Rico	PR	New York	34,726,000
2736291	Banco Popular North America	NY	New York	9,168,165
64552	Bank 2	OK	Kansas City	133,225
815754	Bank of Cherokee County	OK	Kansas City	103,493
777366	Bank of the Orient	CA	San Francisco	737,360
680130	Citizens Trust Bank	GA	Atlanta	428,579
3337097	CommonWealth Business Bank	CA	San Francisco	1,078,785
197478	East West Bank	CA	San Francisco	37,120,068
296456	Firstbank	OK	Kansas City	317,765
1972298	My Bank	NM	Kansas City	161,719
3143805	Pacific Commerce Bank	CA	San Francisco	535,533
2360904	Pacific Global Bank	IL	Chicago	193,269
365745	Pinnacle Bank	IA	Chicago	191,709
2942823	United Bank of El Paso del Norte	TX	Dallas	213,389
Number of Institutions: 16			Total Assets	85,346,645

Figure A.1. Proportion of MDIs that are state-member banks, 2013-17

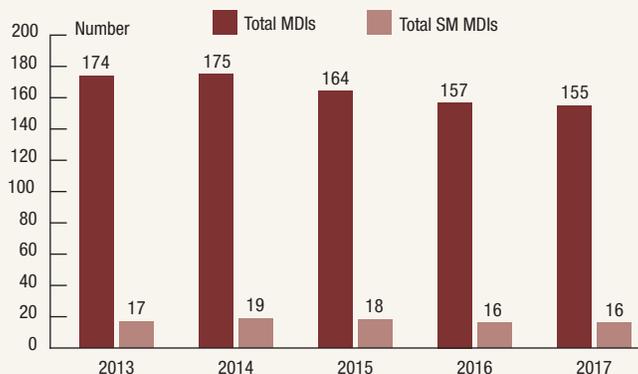


Figure A.2. Assets by type of MDI, 2013-17

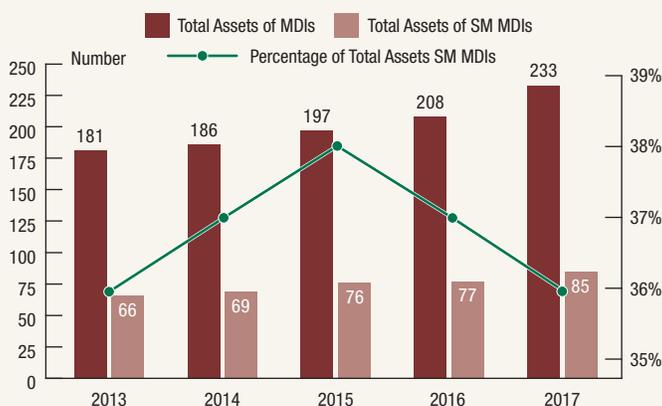
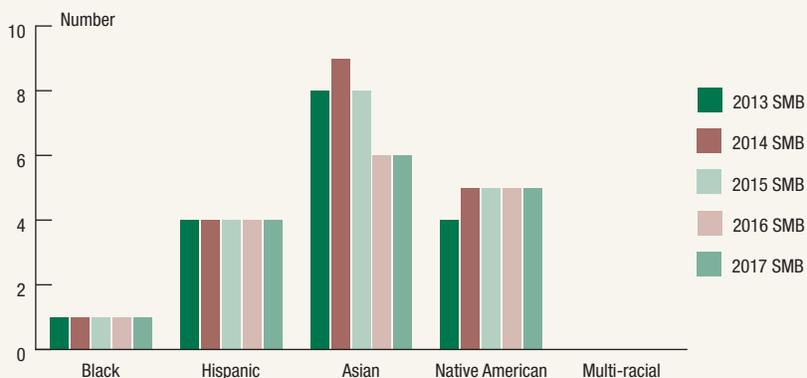


Figure A.3. Number of state-member MDIs by type of minority, 2013-17



Note: The “minority status” of an institution is determined according to either (1) a concentration of ownership among members of a certain minority group, or (2) a concentration of Board membership among that minority group by an institution that primarily serves that minority group. To simplify the use of the historical data, these two criteria were combined in 2017 to arrive at a single data field that indicates one of five values for minority status. As a result, as of year-end 2017, no state-member banks qualify as multi-racial.

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