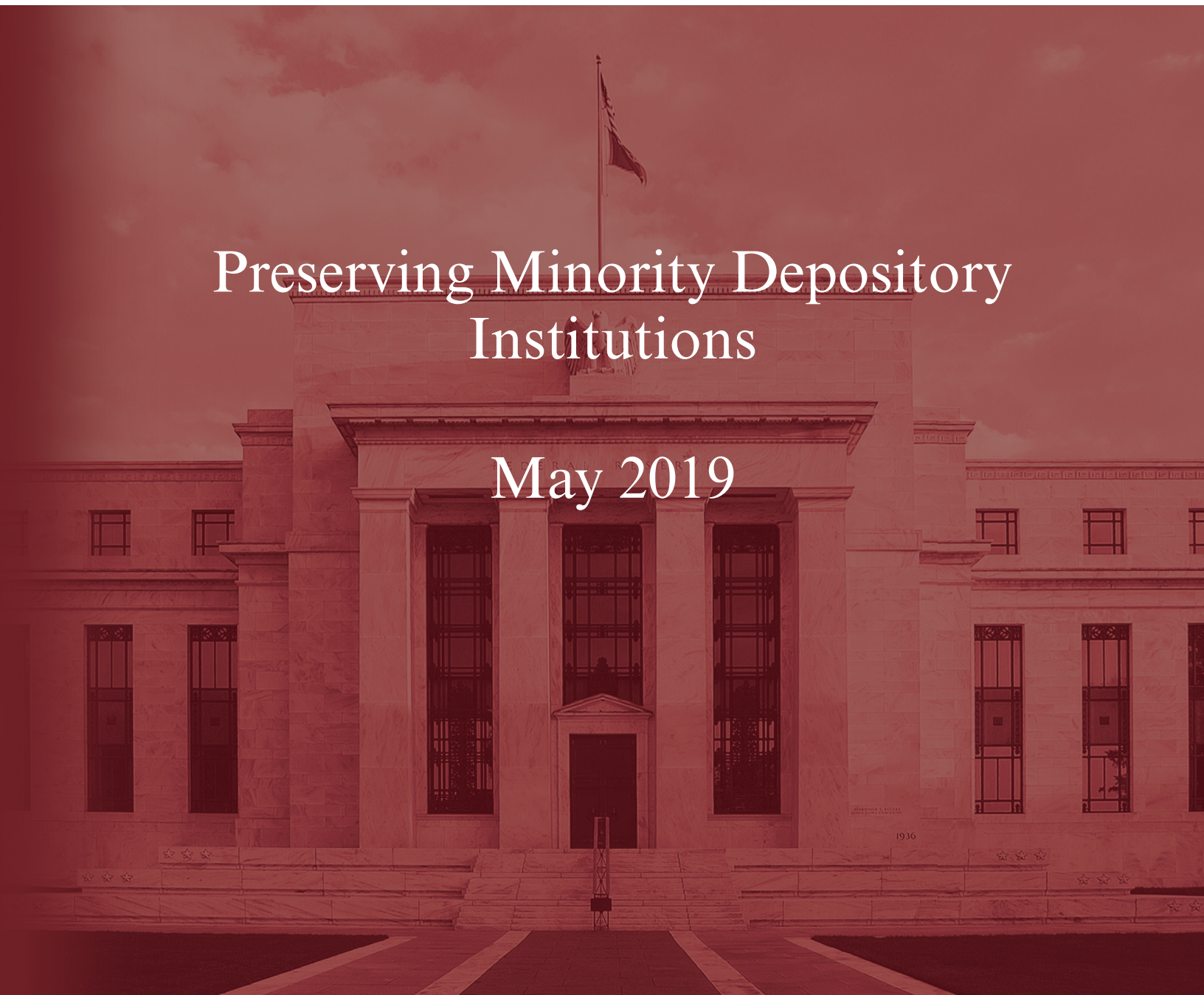




Preserving Minority Depository Institutions

May 2019



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM



Preserving Minority Depository Institutions

May 2019

Errata

The Federal Reserve revised this report on May 30, 2019. The revisions are listed below.

On p. 6, under Table 2:

- In column three, the column head was changed from “Total assets (millions of dollars)” to “Total assets (thousands of dollars).”

On p. 15, under Table A.1:

- In column five, the column head was changed from “Assets (millions of dollars)” to “Assets (thousands of dollars).”

On p. 24, on Figure A.3:

- The labels for the bar graphs have been reordered so that “2014 SMB” is the top label, followed by “2015 SMB,” “2016 SMB,” “2017 SMB,” and “2018 SMB.”

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Preface: Implementing the Dodd-Frank Act

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,” <https://www.federalreserve.gov/regreform/about.htm>; “Implementing the Dodd-Frank Act: The Federal Reserve Board’s Role,” <https://www.federalreserve.gov/regreform/milestones.htm>.

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Abbreviations

BSA/AML	Bank Secrecy Act/Anti-Money Laundering	FRB	Federal Reserve Bank
CD	Community Development	LMI	Low- and moderate-income
CDFI	Community Development Financial Institution	MBDA	Minority Business Development Agency
CECL	Current Expected Credit Losses	MDI	Minority depository institution
CICD	Center for Indian Country Development	NBA	National Bankers Association
CRA	Community Reinvestment Act	PFP	Partnership for Progress
C&CA	Consumer and Community Affairs (Federal Reserve Board Division)	SMB	State member bank
FIRREA	Financial Institutions Reform, Recovery, and Enforcement Act of 1989	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 (see [appendix B](#)). 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). Comments on the System's efforts to fulfill the requirements of FIRREA section 308 are included in the 2008 through 2012 annual reports of the Board to the Congress. Beginning with the 2013 report, the Federal Reserve issues the annual report in separate form to align Board practice with that of the other agencies with section 367 responsibilities.

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 the beginning of 2018, the System supervised 16 MDIs with combined assets of over 92 billion. In 2018, one Asian American MDI merged with another Asian American MDI, hence retaining its MDI character and customer base. Additionally, a Hispanic American MDI merged with a non-MDI. These two mergers brought the year-end total to 14 MDIs supervised by the System, which collectively represented approximately 2 percent of the 794 community and regional banks in the System's com-

munity and regional banking organizations portfolios. To support these institutions and to accomplish the broader minority depository-related FIRREA goals, the System continues to dedicate resources to engage in outreach and technical assistance activities. Throughout 2018, staff from the Board and PFP-dedicated staff from each of the 12 Federal Reserve Banks (FRBs) engaged in activities to support MDIs. Highlights of those activities included

- creating and convening a peer-to-peer meeting for Native American Banks, Native American Credit Unions, and Native American Community Development Financial Institutions (CDFIs) to discuss financial access and innovation, along with the Center for Indian Country Development at the Federal Reserve Bank of Minneapolis;
- hosting MDI leadership at the inaugural MDI Leadership Forum that took place April 19 and 20, 2018, in Washington, D.C.;
- presenting at the Native Banks Gathering II in Shawnee, Oklahoma, which was a collaborative assembly of Native-owned banks sponsored by the Citizen Potawatomi Nation, the Federal Reserve Bank of Minneapolis's Center for Indian Country Development, and the Board in conjunction with the Office of Indian Energy and Economic Development (OIEED), a division under the U.S. Department of Interior-Indian Affairs;
- attending the annual National Bankers Association (NBA) meeting in Washington, D.C., and hosting an exhibit table;
- providing a Systemwide internal training webinar that focused on educating Federal Reserve examiners on the mission of the PFP program;
- co-sponsoring Banking and the Economy: A Forum for Minorities in Banking, which was partnership between the Board and the Federal Reserve Banks of Kansas City (lead sponsor), Philadelphia, Richmond, Atlanta, Chicago, St. Louis, and Dallas;

- providing technical assistance to MDIs on a wide variety of topics, including improving regulatory ratings, navigating the regulatory applications process, questions on the Bank Secrecy Act (BSA), understanding changes to the Community Reinvestment Act (CRA), and refining capital-planning practices; 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 <https://www.fedpartnership.gov>.

State-Member MDIs

During 2018, the System retained primary supervisory responsibility for 16 state-member³ MDIs, which, with few exceptions, are community banks,⁴ having total assets of \$10 billion or less (see [table 1](#)). As a result of merger activity, the System ended the year with responsibility for 14 MDIs.⁵ The decline in state-member MDIs was due to the merger of two Asian-owned MDIs and the merger of an Hispanic-owned MDI with a non-MDI. Both merged state-member MDIs were located in California. In reviewing a bank merger, the resulting bank's effect on the community is a statutory factor that must be taken into consideration before approving any bank merger. It is expected that these resulting mergers would not diminish the level of products and services provided to the local communities. (For more details on the 14 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 program,⁶ which is responsible for the risk-focused supervision of state-member banks (SMBs) with less than \$10 bil-

lion in total assets, maintains supervisory responsibility for the System's portfolio of MDIs.

The PFP program is jointly managed by the Community Banking Organizations (CBO) section of the Supervision and Regulation Division (S&R) and the Community Development (CD) section of the Consumer and Community Affairs Division (C&CA). The CD function within the System—consisting of individual community development departments at each of the 12 FRBs and 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. In addition, at each FRB, the PFP program has designated a District coordinator(s) who communicates regularly with the MDIs in their district and assists with carrying out the mission of the PFP program. The 2018 PFP programming 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 2018, 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

³ The term “state-member” refers to state-chartered banks that are members of the Federal Reserve System.

⁴ For supervisory purposes, community banks are generally defined as those with less than \$10 billion in total consolidated assets.

⁵ In 2018, one Asian American MDI merged with another Asian American MDI, and a Hispanic American MDI merged with a non-MDI.

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

Table 1. Asset distribution of state-member MDIs

Asset size	Number of banks	Percentage of total
\$250 million or less	7	50
\$251 million to \$500 million	2	14
Over \$500 million to \$1 billion	1	7
Over \$1 billion to \$10 billion	2	14
Greater than \$10 billion	2	14
Total	14	100

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.

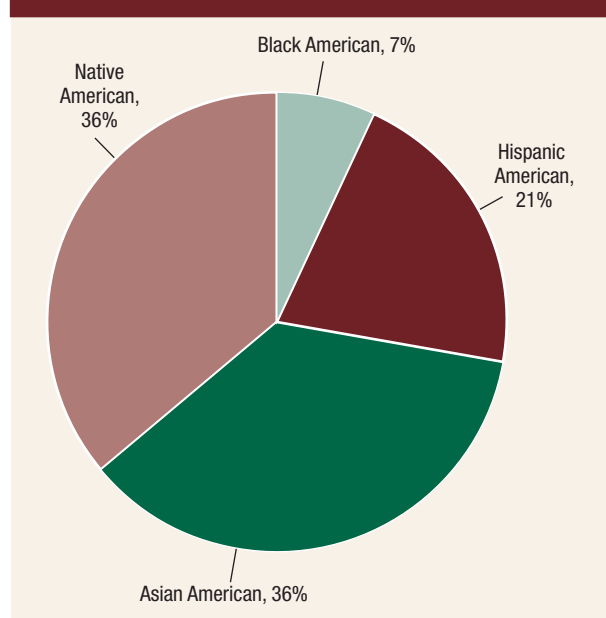
Table 2. State-member MDI distribution

Reserve Bank District	Number of MDIs	Total assets (thousands of dollars)	Percentage of total assets
Atlanta	1	410,144	0.44
Chicago	2	407,291	0.44
Dallas	1	245,611	0.27
Kansas City	4	687,451	0.74
New York	2	47,300,359	51.24
Philadelphia	1	211,126	0.23
San Francisco	3	43,055,240	46.64
Total	14	92,317,222	100.00

total SMB assets domiciled in the System's MDI portfolio.

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 2018, most state-member MDIs were under Asian American ownership (figure 1).

Figure 1. State-member MDIs by minority type

Research on MDIs and Low- and Moderate-Income Communities

Continuing with the Federal Reserve's commitment to understanding the challenges minority banking institutions face and their local market areas, in 2017 the Board commissioned two new pieces of research⁸ on MDIs. This research was completed in 2018 and a webinar on the findings was held in November 2018. All research is available on the [Partnership for Progress website](https://www.fedpartnership.gov/federal-reserve-resources).⁹ Below is a short abstract of the papers:

Ethnic Banks' Logic of Reinvestment in Post-Crisis California: A Case Study of Minority Depository Institutions in Los Angeles, Melody Chiong, University of California, San Diego, Gary A. Dymski, University of Leeds, Jesus Hernandez, University of California, Davis

Minority residents and businesses have had to contend with segregation and with exclusion from access to finance during the long trajectory of U.S. urban development. Historically, minority depository institutions (MDIs) have been at the forefront of efforts to revitalize disadvantaged communities by providing access to finance for minority-owned businesses and minority households. The approach taken by MDIs in supporting inclusive growth in the communities they serve can be termed their "logic of reinvestment." While the goal of meeting community needs for access to finance is a constant, the historical context of racial/ethnic economic inequality is a moving target: in recent years, urban racial/ethnic inequalities have been profoundly affected both by the subprime crisis and by the continuing cross-border flows of people, goods, and capital across borders. So contemporary efforts by MDIs seeking to serve the interests of the racial/ethnic communities they serve must be both backward looking and

forward looking, taking into account inherited and emerging inequalities pertinent to economic development.

This study analyzes the dynamic racial/ethnic context for different MDIs confronted by ethnic banks associated with different ethnic communities in contemporary Los Angeles. We contrast the "logic of reinvestment" pursued by an African-American bank in South Los Angeles, pre- and post-crisis, with the circumstances of Asian-American banks serving a dynamic customer base with substantially higher levels of economic resources.

Minority Owned Banks Impact on Community: Three Case Studies, Russ Kashian, University of Wisconsin Whitewater

As of 2001, there were 164 Minority Depository Institutions (MDIs) in the United States. By 2017, this figure dropped to 155, but throughout the years, the numbers have fluctuated, with 2013 having 174 MDIs reported. Although MDIs have many similarities in terms of their general make up and missions of their community, the ways through which they help build their communities can differ drastically. This analysis examines three different MDIs, discussing their contribution and interactions with their community and the different strategies these MDI's employ.

This report pursues detailed questions on how minority owned banks serve their community by giving examples of minority owned banks and projects they have completed that serve their community. Banks included in this study are: United Bank of Philadelphia, a Black-American owned bank in Philadelphia, PA; International Bank of Commerce, a Hispanic-American

⁸ Full research papers can be found at <https://www.fedpartnership.gov/federal-reserve-resources>.

⁹ Partnership for Progress, <https://www.fedpartnership.gov>.

Owned Bank in Laredo, TX; and CBW, an Asian-American owned bank in Weir, KS.

Additionally, Robin Newberger, a Federal Reserve economist at the Federal Reserve Bank of Chicago, released a new research paper on MDIs titled “Capital-raising among minority-owned banks before and after the financial crisis” in November 2018.¹⁰ The abstract of her paper is below:

The financial crisis and recession of 2008-2010 made the availability of capital a significant area of concern for community banks, and led many of these institutions to seek out sources to rebuild their equity. The need for capital may have been even greater for some minority-owned financial institutions. Minority-owned depositories are a small subset of financial institutions, most of which are also community banks, reflecting either black, Hispanic, Asian, or Native American ownership, or majority minority board members and a mission to serve minority populations. Regulators have long supported the existence of minority-owned institutions as a way to promote the economic viability of minority and underserved communities. The analysis explores capital access in the context of recapitalization efforts at minority-owned financial institutions.

In mid-2018, the Board also commissioned two new pieces of MDI research, which will be delivered in mid-2019. Jesus Hernandez will author a study titled “Minority Depository Institutions: Evolving Financial Technologies and the Challenge of Governance,” and Joanie Buckley will author a study titled “Is the Community Reinvestment Act Effective for Indian Country?” Both studies will be presented at the 2019 MDI and CDFI Interagency Conference.

In addition, throughout 2018, 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. These articles intend to provide service providers, policymakers, and others with a way 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 2018:

- *Low- and Moderate-Income Surveys*:¹¹ 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.
- *The Tribal Leaders Handbook on Homeownership*: A comprehensive resource to unlocking the homeownership potential of Indian Country.¹² This handbook is a guide to the new mortgage programs (government and private), the new kinds of lenders (loan funds and Native CDFIs), and the new energies that are transforming Indian housing.
- *Small Business Credit Survey Report on Non-employer Firms*: 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 FRBs. Fielded in Q3 and Q4 2017, the survey yielded 5,547 responses from nonemployer firms, which are businesses in the

¹⁰ Robin Newberger, “Capital-raising among minority-owned banks before and after the financial crisis,” *ProfitWise News and Views*, No. 4, 2018, <https://www.chicagofed.org/publications/profitwise-news-and-views/2018/capital-raising-among-minority-owned-banks-before-and-after-the-financial-crisis>.

¹¹ For an example of an LMI survey, see the Federal Reserve Bank of Kansas City website, <https://www.kansascityfed.org/research/indicatorsdata/lmieconomicconditions>.

¹² Center for Indian Country Development, Federal Reserve Bank of Minneapolis, *Tribal Leaders Handbook on Homeownership*, <https://www.minneapolisfed.org/indiancountry/resources/tribal-leaders-handbook-on-homeownership>.

50 states and the District of Columbia that have no full- or part-time employees. This report provides an in-depth look at these firms' needs, decisions, and outcomes. One of the findings was that potential employers, in particular early-stage potential employers, are more likely to be owned

by someone younger than 46 or from a racial or ethnic minority group.¹³

¹³ Federal Reserve banks of New York, Cleveland, and Richmond, "Small Business Credit Survey," <https://www.fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2018/sbcs-nonemployer-firms-report.pdf>.

Partnership for Progress Programming

The System supports MDIs primarily through its PFP program, a national outreach effort to help MDIs confront unique business model challenges, cultivate safe banking practices, and compete more effectively in the marketplace. Through this program, the System strives to provide MDIs with resources supportive of sound banking operations.

The PFP program is centered on three main objectives:

- **Connection:** Facilitate relationship building, engage industry stakeholders, and develop relationships to support the preservation and creation of MDIs.
- **Capacity Building:** Provide organizational development and technical assistance to MDIs through Federal Reserve resources and in collaboration with the Federal Deposit Insurance Corporation (FDIC) and Office of the Comptroller of the Currency (OCC).
- **Research and Thought Leadership:** Produce high quality research discussion papers that enhance our understanding of the business models of MDIs and how they serve their communities.

Throughout 2018, the System conducted a number of programs specific to MDIs, including the following:

- **Inaugural MDI Leadership Forum**

MDI leaders were invited to meet with Vice Chair for Supervision Randal K. Quarles and other senior Federal Reserve staff in Washington, D.C., on April 19 and 20, 2018. At this forum, MDI leaders were able to hear directly from Federal Reserve leadership about their commitment to the preservation and promotion of MDIs. Going forward, the MDI Leadership Forum will be a biennial opportunity to host CEOs from state-member-bank MDIs.

The goals for this forum were to

- provide MDI leadership an opportunity to meet Federal Reserve staff members who are engaged

in MDI work as well as meet other top MDI executive leadership;

- hear directly from MDIs on the challenges and opportunities they face and how the Federal Reserve can help MDIs better address these challenges; and
- provide targeted regulator updates on Current Expected Credit Losses (CECL), BSA, and other relevant topics.

- **A Convening of Native American Financial Institutions**

On August 27, 2018, the Center for Indian Country Development (CICD) at the Federal Reserve Bank of Minneapolis and the Board conceived a first-of-its-kind gathering that brought together over 100 Native American Financial Institutions (NAFIs). NAFIs are defined as Native-owned or Native-serving banks, credit unions, and community development financial institutions.

The goals of this convening were to foster networking, learning, and collaboration among Native community-serving financial institutions; create development opportunities to leverage capital; and elevate best practices that foster growth and sustainability. The daylong meeting was held on the Flathead Reservation of the Confederated Salish and Kootenai Tribes in Montana. The following day, meeting attendees were invited on an optional half-day tour of the Reservation, which included a visit to the headquarters of Eagle Bank, a Native-owned MDI.

Following the convening, PFP staff have continued to communicate with staff at the CICD to discuss how to keep the momentum going from the event. Some of the ideas that came out of these conversations include working with CICD to identify Native tribes that may have the capital and capacity to create tribally owned de novo banks, fostering additional research on Native MDIs, and convening NAFIs regionally.

- **Minorities in Banking Forum**

The Federal Reserve Bank of Kansas City, in partnership with the Board and the Federal Reserve Banks of Atlanta, Dallas, Minneapolis, Philadelphia, Richmond, and St. Louis, hosted the third 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 in September 2018 at the Charlotte branch of the Federal Reserve Bank of Richmond. 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 encouraged to attend and several sent representatives to the conference.

- **Collaboration with trade groups and other partners**

PFP also participated as subject matter experts at the following conferences that were related to MDI topics:

- In April, PFP participated on a panel discussion about supervisory and regulatory issues at the Native Banks Gathering II, which was sponsored by the Citizen Potawatomi Nation and the Center for Indian Country Development in conjunction with the Office of Indian Energy and Economic Development (OIEED), a division

under the U.S. Department of Interior-Indian Affairs.

- In August, PFP connected the Department of Commerce's Minority Business Development Agency (MBDA) with the Federal Reserve researchers who produced the 2016 Small Business Credit Survey Report on Minority-Owned Firms.¹⁴ At an MBDA conference, Federal Reserve researchers presented their findings and then broke into groups to discuss the experiences of MBDA firms and how this research represents, or does not represent, their individual experiences.

- In October, 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 MDIs on legislative and regulatory matters concerning and affecting its members and the communities they serve. The NBA also offers a number of services, including lobbying services, vendor financing, cash management services, and corporate trust accounts, among others. The annual conference attracts dozens of MDI leaders and PFP hosted an exhibit booth at the conference.

¹⁴ Federal Reserve Banks, "2016 Small Business Credit Survey: Report on Minority-Owned Firms," <https://www.fedsmallbusiness.org/survey/2017/report-on-minority-owned-firms>.

Efforts and Initiatives

Preserving the Character and Number of MDIs

To preserve the character and number of state-member MDIs, staff from the Board's mergers and acquisitions function 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 mergers and acquisitions function continues to offer a pre-filing option for banking proposals, which provides critical feedback on potential issues and potentially shortens the review period for many formal proposals. Finally, whenever the System receives a proposal involving an MDI banking organization, every effort is made to ensure that the institution is preserved and that its future prospects are enhanced.

Promoting the Creation of MDIs

The System strives to promote the creation of new MDIs by providing guidance via public websites about regulatory procedures for 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 FRB 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.

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 2018 included IT/cybersecurity, concentrations in commercial real estate, interest-rate risk, capital planning and rules, BSA and anti-money-laundering compliance, third-party vendor management, and the CRA. The goal of these conversations is to help MDIs and provide the PFP with valuable insight and feedback on challenges facing MDIs. Additionally, several of the sessions of the MDI Leaders Forum in April 2018 involved technical assistance training, including one on the BSA and new accounting standards related to CECL.

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](https://www.fedpartnership.gov/).¹⁵ 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
- sharing information focused on market conditions and economic data related to areas typically served by MDIs.

¹⁵ Partnership for Progress, <https://www.fedpartnership.gov/>.

To ensure continued relevance of posted material, PFP staff 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.

The System's *Community Banking Connections*® publication¹⁶ 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.

During 2018, *Community Banking Connections* offered articles on a range of timely topics, including

¹⁶ *Community Banking Connections* is a registered trademark of the Federal Reserve Bank of Philadelphia, <https://www.communitybankingconnections.org/>.

understanding how culture drives a bank's mission, CECL, and the Federal Reserve's revision to risk-management guidance.

The System's *FedLinks*™ publication¹⁷ is another resource that offers information and guidance 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.

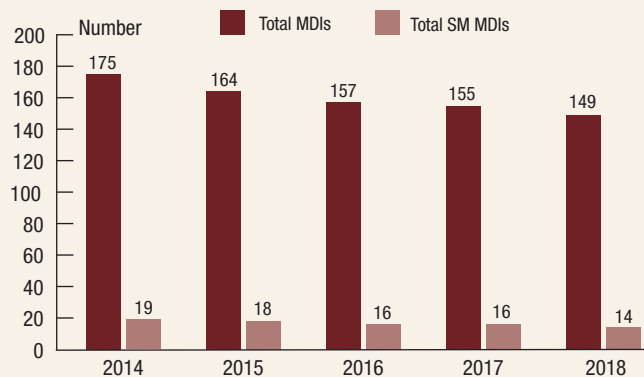
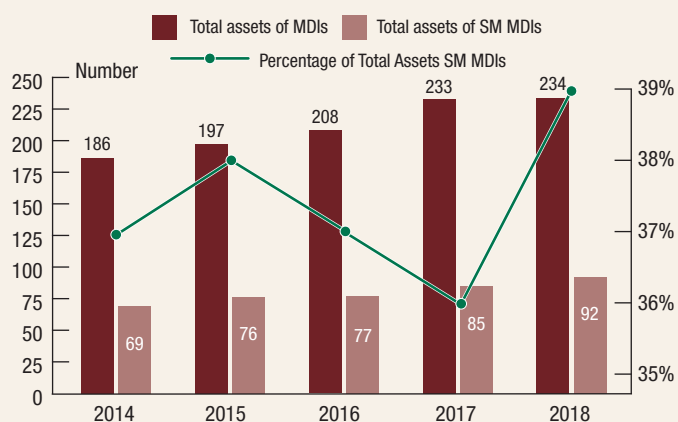
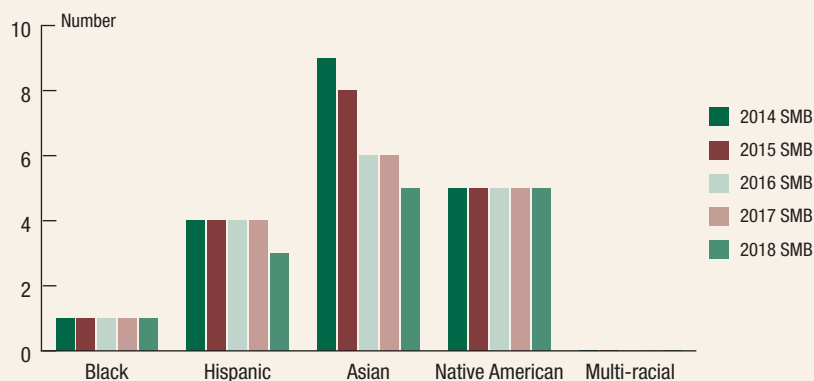
During 2018, *FedLinks* published an article applicable to MDIs, namely, "Sound Risk Management of CRE Credit Concentrations." In the past, topics have included agricultural credit risk management, intercompany transactions, and BSA.

¹⁷ *FedLinks*, a part of *Community Banking Connections*, highlights key elements of supervisory topics to improve clarity and understanding, <https://www.communitybankingconnections.org/fedlinks.cfm>.

Appendix A: MDI Tables and Figures

Table A.1. State-member MDIs

ID RSSD	Institution name	State	Reserve Bank District	Assets (thousands of dollars)
146056	AllNations Bank	OK	Kansas City	47,321
2785477	Asian Bank	PA	Philadelphia	211,126
940311	Banco Popular de Puerto Rico	PR	New York	37,919,000
2736291	Banco Popular North America	NY	New York	9,381,359
64552	Bank 2	OK	Kansas City	192,527
815754	Bank of Cherokee County	OK	Kansas City	111,914
777366	Bank of the Orient	CA	San Francisco	876,828
680130	Citizens Trust Bank	GA	Atlanta	410,144
3337097	CBB Bank	CA	San Francisco	1,160,991
197478	East West Bank	CA	San Francisco	41,017,421
296456	FirstBank	OK	Kansas City	335,689
2360904	Pacific Global Bank	IL	Chicago	208,253
365745	Pinnacle Bank	IA	Chicago	199,038
2942823	United Bank of El Paso del Norte	TX	Dallas	245,611
Number of institutions:	14		Total assets	92,317,222

Figure A.1. Proportion of MDIs that are state-member banks, 2014–18**Figure A.2. Assets by type of MDI, 2014–18****Figure A.3. Number of state-member MDIs by type of minority, 2014–18**

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 multiracial.

Table A.2. List of MDIs as of December 31, 2018

Name	City	State	Est. date	Class	Regulator	Minority status alpha	Total assets (\$000)
Alamerica Bank	Birmingham	AL	20000128	NM	FDIC	B	23,879
Commonwealth National Bank	Mobile	AL	19760219	N	OCC	B	47,588
American Continental Bank	City of Industry	CA	20031006	NM	FDIC	A	229,812
American Plus Bank N A	Arcadia	CA	20070808	N	OCC	A	514,262
Asian Pacific National Bank	San Gabriel	CA	19900725	N	OCC	A	57,480
Bank of Hope	Los Angeles	CA	19860318	NM	FDIC	A	15,307,614
Bank of the Orient	San Francisco	CA	19710317	SM	FED	A	876,828
Bank of Whittier NA	Whittier	CA	19821220	N	OCC	A	58,848
Broadway Federal Bank FSB	Los Angeles	CA	19470226	SB	OCC	B	407,170
California Business Bank	Irvine	CA	20051101	NM	FDIC	A	88,134
California International Bank, N.A.	Westminster	CA	20051130	N	OCC	A	46,288
California Pacific Bank	San Francisco	CA	19801016	NM	FDIC	A	73,339
Cathay Bank	Los Angeles	CA	19620419	NM	FDIC	A	16,765,633
Commercial Bank of CA	Irvine	CA	20030515	NM	FDIC	H	986,712
CBB Bank	Los Angeles	CA	20050303	SM	FED	A	1,160,991
Community Commerce Bank	Claremont	CA	19761001	NM	FDIC	H	259,380
CTBC Bank Corp USA	Los Angeles	CA	19650427	NM	FDIC	A	3,454,180
East West Bank	Pasadena	CA	19720101	SM	FED	A	41,017,421
Eastern International Bank	Los Angeles	CA	19850226	NM	FDIC	A	103,254
EverTrust Bank	Pasadena	CA	19950503	NM	FDIC	A	887,314
First Choice Bank	Cerritos	CA	20050818	NM	FDIC	A	1,622,437
First Commercial Bank USA	Alhambra	CA	19970520	NM	FDIC	A	585,044
First General Bank	Rowland Heights	CA	20051013	NM	FDIC	A	947,186
Gateway Bank FSB	Oakland	CA	19900608	SB	OCC	A	109,396
Hanmi Bank	Los Angeles	CA	19821215	NM	FDIC	A	5,490,028
Mega Bank	San Gabriel	CA	20080205	NM	FDIC	A	368,115
Metropolitan Bank	Oakland	CA	19830901	NM	FDIC	A	176,216
Mission National Bank	San Francisco	CA	19820216	N	OCC	A	248,350
New Omni Bank National Assn	Alhambra	CA	19800212	N	OCC	A	447,676
Open Bank	Los Angeles	CA	20050610	NM	FDIC	A	1,044,131
Pacific Alliance Bank	Rosemead	CA	20061227	NM	FDIC	A	267,602
Pacific City Bank	Los Angeles	CA	20030918	NM	FDIC	A	1,697,004
Preferred Bank	Los Angeles	CA	19911223	NM	FDIC	A	4,217,941
Royal Business Bank	Los Angeles	CA	20081118	NM	FDIC	A	2,971,182
United Pacific Bank	City of Industry	CA	19820511	NM	FDIC	A	139,710
Uniti Bank	Buena Park	CA	20011217	NM	FDIC	A	345,746
Universal Bank	West Covina	CA	19541117	SB	OCC	A	381,958
US Metro Bank	Garden Grove	CA	20060915	NM	FDIC	A	389,110
Native American Bank NA	Denver	CO	19870727	N	OCC	N	113,297
Industrial Bank	Washington	DC	19340818	NM	FDIC	B	432,771
BAC Florida Bank	Coral Gables	FL	19731012	NM	FDIC	H	2,236,330
Banescos USA	Coral Gables	FL	20060110	NM	FDIC	H	1,276,687
Central Bank	Tampa	FL	20070226	NM	FDIC	A	168,662
Continental National Bank	Miami	FL	19740510	N	OCC	H	464,508
Executive National Bank	Miami	FL	19720607	N	OCC	H	423,101
Interamerican Bank A FSB	Miami	FL	19760823	SB	OCC	H	201,914
International Finance Bank	Miami	FL	19831130	NM	FDIC	H	692,495
Ocean Bank	Miami	FL	19821209	NM	FDIC	H	3,875,427
Plus International Bank	Miami	FL	20010914	NM	FDIC	H	77,364
Sunstate Bank	Miami	FL	19990315	NM	FDIC	H	418,436
U S Century Bank	Doral	FL	20021028	NM	FDIC	H	1,155,314
Carver State Bank	Savannah	GA	19270101	NM	FDIC	B	39,597
Citizens Trust Bank	Atlanta	GA	19210618	SM	FED	B	410,144

(continued)

Table A.2.—*continued*

Name	City	State	Est. date	Class	Regulator	Minority status alpha	Total assets (\$000)
Embassy National Bank	Lawrenceville	GA	20070305	N	OCC	A	103,095
First IC Bank	Doraville	GA	20000131	NM	FDIC	A	500,705
Metro City Bank	Doraville	GA	20060404	NM	FDIC	A	1,435,822
NOA Bank	Duluth	GA	20081106	NM	FDIC	A	387,614
Quantum National Bank	Suwanee	GA	19951227	N	OCC	A	489,828
Touchmark National Bank	Alpharetta	GA	20080128	N	OCC	A	405,645
ANZ Guam Inc	Hagatna	GU	19910111	NM	FDIC	A	317,502
Bank of Guam	Hagatna	GU	19721211	NM	FDIC	A	1,888,372
BankPacific Ltd	Hagatna	GU	19530101	SL	FDIC	A	144,926
Finance Factors Ltd	Honolulu	HI	19520514	NM	FDIC	A	580,102
Hawaii National Bank	Honolulu	HI	19600916	N	OCC	A	639,045
Ohana Bank	Honolulu	HI	20060601	NM	FDIC	A	160,546
Pinnacle Bank	Marshalltown	IA	19270505	SM	FED	N	199,038
American Metro Bank	Chicago	IL	19970129	NM	FDIC	A	80,135
Citizens Bank of Chatsworth	Chatsworth	IL	19340101	NM	FDIC	A	31,804
GN Bank	Chicago	IL	19340101	SB	OCC	B	139,918
International BK of Chicago	Chicago	IL	19921026	NM	FDIC	A	636,817
Millennium Bank	Des Plaines	IL	20070702	NM	FDIC	A	116,804
Pacific Global Bank	Chicago	IL	19951109	SM	FED	A	208,253
Urban Partnership Bank	Chicago	IL	20100819	NM	FDIC	B	438,816
CBW Bank	Weir	KS	18920101	NM	FDIC	A	51,951
Metro Bank	Louisville	KY	19970106	NM	FDIC	B	26,189
Liberty Bank & Trust Co	New Orleans	LA	19721116	NM	FDIC	B	591,186
Leader Bank National Assn	Arlington	MA	20020508	N	OCC	A	1,348,132
OneUnited Bank	Boston	MA	19820802	NM	FDIC	B	656,198
Harbor Bank of Maryland	Baltimore	MD	19820913	NM	FDIC	B	282,599
First Independence Bank	Detroit	MI	19700514	NM	FDIC	B	259,692
Woodlands National Bank	Hinckley	MN	19081001	N	OCC	N	183,379
Peoples Bank of Seneca	Seneca	MO	19960315	NM	FDIC	N	195,208
Eagle Bank	Polson	MT	20060725	NM	FDIC	N	66,075
Lumbee Guaranty Bank	Pembroke	NC	19711222	NM	FDIC	N	336,770
Mechanics & Farmers Bank	Durham	NC	19080301	NM	FDIC	B	256,968
Turtle Mountain State Bank	Belcourt	ND	20071203	NM	FDIC	N	33,369
City NB of New Jersey	Newark	NJ	19730611	N	OCC	B	167,570
KEB Hana Bank	Fort Lee	NJ	19860916	N	OCC	A	226,476
New Millennium Bank	New Brunswick	NJ	19990719	NM	FDIC	A	414,324
Centinel Bank of Taos	Taos	NM	19690301	NM	FDIC	H	253,184
Abacus Federal Savings Bank	New York	NY	19841129	SB	OCC	A	339,694
Amerasia Bank	Flushing	NY	19880620	NM	FDIC	A	622,766
Banco Popular North America	New York	NY	19990102	SM	FED	H	9,381,359
Carver Federal Savings Bank	New York	NY	19480101	SB	OCC	B	592,255
Chinatown FSB	New York	NY	19840427	SB	OCC	A	133,351
Eastbank National Assn	New York	NY	19841126	N	OCC	A	189,734
Global Bank	New York	NY	20070312	NM	FDIC	A	170,323
NewBank	Flushing	NY	20060929	NM	FDIC	A	418,125
Ponce De Leon Federal Bank	Bronx	NY	19600331	SB	OCC	H	1,058,206
Shinhan Bank America	New York	NY	19901018	NM	FDIC	A	1,422,948
United Orient Bank	New York	NY	19810409	NM	FDIC	A	91,208
AllNationas Bank	Calumet	OK	19010101	SM	FED	N	47,321
Bank 2	Oklahoma City	OK	19030101	SM	FED	N	192,527
Bank of Cherokee County	Hulbert	OK	19081201	SM	FED	N	111,914
Bank of Commerce	Stilwell	OK	19310101	NM	FDIC	N	78,190
Bank of Grove	Grove	OK	20050609	NM	FDIC	H	167,747
F&M Bank	Edmond	OK	19020101	NM	FDIC	N	478,360

(continued)

Table A.2.—*continued*

Name	City	State	Est. date	Class	Regulator	Minority status alpha	Total assets (\$000)
First National Bank & Trust Co	Shawnee	OK	19841029	N	OCC	N	247,889
First Security Bank and Trust Company	Oklahoma City	OK	19510406	NM	FDIC	B	48,775
FirstBank	Antlers	OK	19010101	SM	FED	N	335,689
Fort Gibson State Bank	Fort Gibson	OK	19730521	NM	FDIC	N	61,482
Oklahoma State Bank	Vinita	OK	19380713	NM	FDIC	N	155,920
Peoples Bank	Westville	OK	19030203	NM	FDIC	N	47,763
Asian Bank	Philadelphia	PA	19990609	SM	FED	A	211,126
Noah Bank	Elkins Park	PA	20060717	NM	FDIC	A	427,222
United Bank of Philadelphia	Philadelphia	PA	19920323	NM	FDIC	B	51,057
Banco Popular De Puerto Rico	Hato Rey	PR	19990102	SM	FED	H	37,919,000
Banco Santander Puerto Rico	San Juan	PR	19721002	NM	FDIC	H	5,177,922
FirstBank Puerto Rico	Santurce	PR	19490117	NM	FDIC	H	12,232,012
Oriental Bank	San Juan	PR	19650325	NM	FDIC	H	6,529,697
Scotiabank De Puerto Rico	San Juan	PR	19790907	NM	FDIC	H	4,043,091
South Carolina Cmty Bank	Columbia	SC	19990326	NM	FDIC	B	65,052
Citizens Savings B&T Co	Nashville	TN	19040104	NM	FDIC	B	103,080
Tri-State Bank of Memphis	Memphis	TN	19461216	NM	FDIC	B	82,336
American First National Bank	Houston	TX	19980518	N	OCC	A	1,587,346
Bank of South Texas	Mcallen	TX	19860708	NM	FDIC	H	132,749
Brush Country Bank	Freer	TX	19580712	NM	FDIC	H	43,169
Citizens State Bank	Roma	TX	19780515	NM	FDIC	H	84,166
Commerce Bank	Laredo	TX	19820331	NM	FDIC	H	590,841
Falcon International Bank	Laredo	TX	19861210	NM	FDIC	H	1,150,739
First State Bank	Shallowater	TX	19601008	NM	FDIC	A	112,292
Golden Bank National ASSN	Houston	TX	19850503	N	OCC	A	904,503
Greater State Bank	Falfurrias	TX	19740101	NM	FDIC	H	77,323
International BK of Com	Laredo	TX	19660902	NM	FDIC	H	8,469,038
International BK of Com	Zapata	TX	19840206	NM	FDIC	H	429,193
International BK of Com	Brownsville	TX	19841009	NM	FDIC	H	1,016,530
Lone Star National Bank	Pharr	TX	19830124	N	OCC	H	2,209,580
One World Bank	Dallas	TX	20050404	NM	FDIC	A	99,737
Rio Bank	Mcallen	TX	19850211	NM	FDIC	H	520,514
Southwestern National Bank	Houston	TX	19971103	N	OCC	A	422,999
State Bank of Texas	Dallas	TX	19871019	NM	FDIC	A	919,422
Texas National Bank	Mercedes	TX	19201126	N	OCC	H	303,646
United BK El Paso Del Norte	El Paso	TX	20010501	SM	FED	H	245,611
Unity NB of Houston	Houston	TX	19850801	N	OCC	B	93,943
Wallis State Bank	Wallis	TX	19721028	NM	FDIC	A	719,184
Zapata National Bank	Zapata	TX	19611116	N	OCC	H	83,885
UniBank	Lynnwood	WA	20061101	NM	FDIC	A	304,865
Bay Bank	Green Bay	WI	19950821	NM	FDIC	N	95,272
Columbia Savings & Loan Assn	Milwaukee	WI	19240101	SL	FDIC	B	23,194
Total			Count	149			233,929,945

Appendix B: 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.¹⁸

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.

¹⁸ Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 (1989).

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