



Preserving Minority Depository Institutions

May 2020

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM



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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
CDFI	Community Development Financial Institution	LMI	Low- and moderate-income
CRA	Community Reinvestment Act	MDI	Minority depository institution
FIRREA	Financial Institutions Reform, Recovery, and Enforcement Act of 1989	NBA	National Bankers Association
		PFP	Partnership for Progress

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 A](#)). 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).

In 2019, the House Financial Services Committee held two hearings on MDIs, one of which included a panel of regulators, including the Federal Reserve.² Art Lindo, deputy director of the Division of Supervision and Regulation, testified about the Federal Reserve's commitment to and efforts to assist MDIs.³ The Federal Reserve recognizes that there is more to be done, especially as it relates to the decline in African American owned banks. This report details programing and outreach from 2019 and includes a preview of efforts underway in 2020.

The System's Partnership for Progress (PFP) program was established in 2008 because Federal Reserve leadership recognized the importance of MDIs and wanted to independently take steps to preserve and promote these institutions. Leadership at the Federal Reserve 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 Federal Reserve remains strongly committed to identifying and implementing all opportunities to support MDIs.

Throughout 2019, the System supervised 15 MDIs with combined assets of over \$101 billion.⁴ This represents approximately 2 percent of the 754 community and regional banks in the System's community and regional banking organizations portfolios. To support these institutions and to accomplish the broader minority depository-related FIRREA goals, the Federal Reserve leadership continues to dedicate resources to engage in proactive outreach and technical assistance activities. Throughout 2019, 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

- planning and executing the 2019 Interagency MDI and CDFI Bank conference, in collaboration with the Federal Deposit Insurance Corporation (FDIC) and Office of the Comptroller of the Currency (OCC);
- co-sponsoring Banking and the Economy: A Forum for Minorities in Banking, which was held at the Federal Reserve Bank of St. Louis;
- participating and hosting an exhibit table at the National Bankers Association (NBA) 72nd Annual Convention in Washington, D.C.;
- partnering with the FDIC for a MDI collaboration roundtable held November 7, 2019, in Chicago, Illinois;
- commissioning two research papers to understand the challenges and opportunities faced by the MDI industry;
- providing technical assistance to MDIs on a wide variety of topics, including improving regulatory

² "An Examination of Regulators' Efforts to Preserve and Promote Minority Depository Institutions," Subcommittee on Consumer Protection and Financial Institutions, November 20, 2019, <https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=404651>.

³ Arthur Lindo, "Minority Depository Institutions" (testimony before the House Financial Services Subcommittee on Consumer Protection and Financial Institutions, U.S. House of Representatives, Washington, D.C., November 20, 2019), <https://www.federalreserve.gov/newsevents/testimony/lindo20191120a.htm>.

⁴ This was an increase of one institution from year-end 2018 due to a charter change in the first quarter of 2019.

ratings, navigating the regulatory applications process, complying with the Bank Secrecy Act (BSA), understanding changes to the Community Reinvestment Act (CRA), and refining capital-planning practices;

- maintaining a website that provides a full menu of banking resources—including regulatory guidance—relevant to MDIs;⁵ and

- coordinating with the Board’s CRA Policy team to represent the interests of MDIs in the CRA regulatory modernization process.

⁵ For details on the Partnership for Progress program and the range of available resources, see <https://www.fedpartnership.gov>.

State Member MDIs

Throughout all of 2019, the System retained primary supervisory responsibility for 15 state member MDIs,⁶ which, with few exceptions, are community banks,⁷ have total assets of \$10 billion or less (see [table 1](#)). (For more details on the 15 state member MDIs discussed in this report as well as a comparison of the number, assets, and demographics of state member MDIs from 2015–19, see [appendix B](#).) Accordingly, the System’s community banking organizations program,⁸ which is responsible for the risk-focused supervision of state member banks with less than \$10 billion in total assets, maintains supervisory responsibility for the System’s portfolio of MDIs.

Geographic Dispersion

In 2019, state member MDIs were located in 7 of the 12 Reserve Bank Districts, with assets concentrated

⁶ The term *state member* refers to state-chartered banks that are members of the Federal Reserve System.

⁷ For supervisory purposes, community banks are generally defined as those with less than \$10 billion in total consolidated assets.

⁸ 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	47
\$251 million to \$500 million	2	13
Over \$500 million to \$1 billion	1	7
Over \$1 billion to \$10 billion	2	13
Greater than \$10 billion	3	20
Total	15	100

Table 2. State member MDI distribution

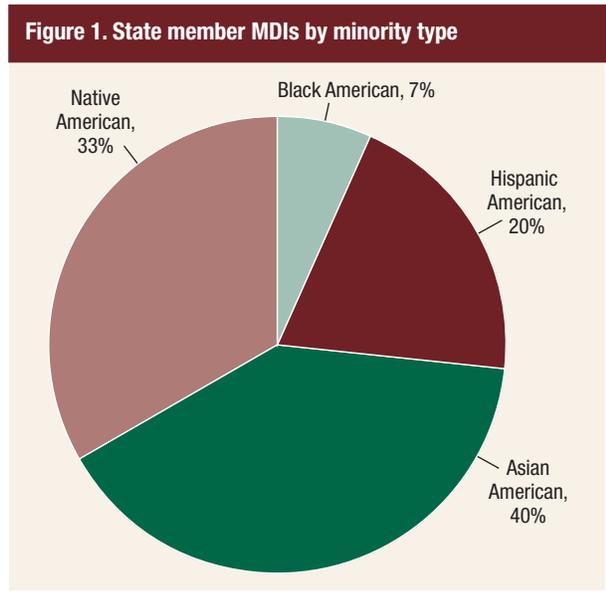
Reserve Bank District	Number of MDIs	Total assets (\$'000)	Percentage of total assets
Atlanta	1	418,130	0.41
Chicago	2	435,028	0.43
Dallas	1	236,063	0.23
Kansas City	4	683,226	0.67
New York	2	51,682,910	50.86
Philadelphia	1	238,451	0.23
San Francisco	4	47,928,578	47.16
Total	15	101,622,386	100.00

in the New York and San Francisco Districts (see [table 2](#)).⁹ State member MDIs in these two Districts accounted for 98 percent of the total state member bank assets domiciled in the System’s MDI portfolio. Though smaller in asset size, there is also a concentration of state member MDIs in the Kansas City District. All four of these banks are located in Oklahoma and are Native American MDIs.

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 2019, most state member MDIs were under Asian American ownership, followed by Native American ownership ([figure 1](#)).

⁹ 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.



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. The program is jointly managed by the Community Banking Organizations section of the Supervision and Regulation Division and the Community Development section of the Consumer and Community Affairs Division. Supervision and Regulation strives for a resilient and well-managed financial system that fairly meets the needs of consumers and businesses while working to tailor its supervisory programs in a way that avoids imposing excessive burden on the financial institutions it oversees. 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, each FRB has designated a PFP District coordinator(s) who communicates regularly with the MDIs in their District and assists with accomplishing the mission of the PFP program. The 2019 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 examination and community development staff at the FRBs to bring additional resources and creative programming to MDIs throughout the country. PFP provides technical assistance and outreach to the System's regulated MDIs but also views the congressional mandate in section 308 of the FIRREA to preserve and promote MDIs as more than simply supervising these institutions. In this regard, the Board actively works with colleagues at the other regulatory agencies with sec-

tion 308 responsibilities to ensure a coordinated approach to supporting all MDIs.

The PFP program is centered on three main objectives:

1. **Connection:** Facilitate relationship building, engage industry stakeholders, and develop relationships to support the preservation and creation of MDIs.
2. **Capacity Building:** Provide organizational development and technical assistance to MDIs through Federal Reserve resources and in collaboration with the FDIC and OCC.
3. **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.

In addition, the Board is able to leverage the many resources available to the central bank of the United States to support MDIs consistent with the goals of the PFP program. First, the Federal Reserve is a research-driven institution and, as described above, has engaged with internal and external stakeholders on a range of research to enhance our understanding of the business models of MDIs and how they serve their communities. Second, Federal Reserve leadership, including Board Members and Reserve Bank presidents, have spoken publically about the importance and positive impact of MDIs on underserved communities.¹⁰ Third, through the convening power of the Federal Reserve, the System seeks to bring

¹⁰ For example, in September 2019, Federal Reserve Bank of St. Louis President Bullard spoke about PFP and the importance of MDIs at the Forum for Minorities in Banking, <https://www.stlouisfed.org/from-the-president/speeches-and-presentations/2019/welcoming-remarks-forum-for-minorities-in-banking>.

Additionally, in June 2019, Federal Reserve Board Governor Bowman spoke about the Federal Reserve's support for MDIs at the Interagency MDI conference in Washington, D.C., <https://www.federalreserve.gov/newsevents/speech/bowman20190625a.htm>.

together individuals and institutions to form partnerships that will assist the MDI sector.

Throughout 2019, the Federal Reserve staff conducted a number of programs specific to MDIs, including the following:

- **National Interagency MDI and CDFI Bank Conference**

Every two years, the federal banking regulatory agencies (i.e., FDIC, OCC, and Federal Reserve) host an interagency conference for MDI and CDFI banks to help preserve and promote their mission. The 2019 conference was held June 25–26, 2019, at the FDIC’s Seidman Center, located in Arlington, Virginia.

The theme for the conference was “Focus on the Future: Prospering in a Changing Industry,” and senior federal officials and MDI and CDFI bank executives were invited to participate. The conference began with opening remarks from each agency: Board Governor Michelle Bowman, FDIC Chairman Jelena McWilliams, and OCC Senior Deputy Comptroller Grovetta Gardineer. Governor Bowman’s remarks focused on our PFP program and reaffirmed the Federal Reserve’s commitment to preserving and promoting MDIs.

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 with participants from 70 banks.

The conference covered a diverse range of topics that included

- updates from senior officials from federal regulatory agencies on trending topics including resources, programs, and policies 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;
- timely workshops that included topics such as cybersecurity, research, and succession management;
- discussions on innovation, collaboration, and the evolving financial services landscape with examples of successful responses by community and midsize banks; and

- presentations on the newly designated Opportunity Zones in low-income communities and research relevant to the MDI and CDFI industry.

- **Banking and the Economy: A Forum for Minorities in Banking**

The fourth annual Forum for Minorities in Banking sponsored by the Board, along with Federal Reserve Banks of Atlanta, Chicago, Dallas, Kansas City, Minneapolis, Philadelphia, Richmond, San Francisco, and St. Louis, was held September 26–27, 2019, at the Federal Reserve Bank of St. Louis. This forum is designed to provide senior-level or high-potential middle management minority bank leaders with industry, leadership, and professional development knowledge that will enhance their careers and networks.

The forum began with remarks by Federal Reserve Bank of St. Louis President Bullard, in which he discussed the history of MDIs and the important role they play in their communities. Additionally, 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. Planning is underway for the next forum, which will be held in September 2020 in Atlanta, GA.

- **MDI Roundtable**

In November, the Federal Reserve partnered with the FDIC for a collaboration roundtable that brought together MDIs and larger institutions. During this meeting, MDI leaders and bank leaders had the opportunity to discuss potential mutually beneficial partnership opportunities.

The purpose of this roundtable was to highlight the business and regulatory benefits of partnerships with MDIs. For example, Congress recognized MDIs in the original CRA statute and included special consideration for MDIs, women-owned financial institutions, and low-income credit unions (collectively, MWLIs). Specifically, majority institutions may receive CRA credit for capital investment, loan participation, training, technical assistance, and other ventures undertaken by the bank in collaboration with MWLIs. Majority banks can also get credit for donating or selling on

favorable terms a branch located in a predominantly minority neighborhood to an MDI or women-owned depository institution. Such activities must help meet the credit needs of local communities in which the minority- and women-owned credit unions are chartered. However, unique to CRA, such activities need not also benefit the bank's assessment area(s) or the broader statewide or regional area that includes the bank's assessment area(s).

PFP is working with the FDIC to capitalize on this unique CRA treatment and bring more MDIs and large regional banks together to discuss CRA-eligible partnership and investment opportunities. Planning is underway to continue and increase this effort in 2020.

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 October, Board and Reserve Bank staff represented PFP at the 92nd 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. PFP participated on a panel on the Volcker rule¹¹ and hosted an exhibit booth at the conference.

- In May, representatives from PFP spoke with senior CRA examiners at their senior forum to raise the profile of MDIs, the PFP program, and discuss how CRA examiners can consider the unique missions of MDIs in the examination process.
- In March, PFP hosted an information booth at the Community Bank Examiner Forum, which provided an opportunity to meet one on one with safety and soundness examiners from across the Federal Reserve System and share information about PFP and MDIs.

¹¹ The Volcker rule is found in section 619 of the Dodd-Frank Act. The rule generally prohibits banking entities from engaging in proprietary trading or investing in or sponsoring hedge funds or private equity funds. See "Volcker Rule," Board of Governors of the Federal Reserve, last update January 30, 2020, <https://www.federalreserve.gov/supervisionreg/volcker-rule.htm>.

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 2018 the Board commissioned two new pieces of research on MDIs.¹² This research was completed in 2019 and presented at the Inter-agency MDI and CDFI Bank Conference in Arlington, VA, in June 2019. All research is available on the [PFP website](#).¹³ Below are abstracts of the papers:

Minority Depository Institutions: Evolving Financial Technologies and the Challenge of Governance

By Jesus Hernandez, JCH Research; Gary A. Dymski, University of Leeds; and Melody Chiong, University of California San Diego

Minority Depository Institutions (MDI) came into being to create pathways for economic development in racially segregated neighborhoods. The effectiveness of MDIs in accomplishing this shared mission is acutely sensitive to three factors: the economic circumstances of the racial/ethnic community they serve; the structure of governance – both the public policies that directly govern MDIs, and also the overall pattern of urban governance, including macroeconomic policy stance and targeted public investment/tax programs; and third, the evolution of financial technologies. Together, these factors shape the strategic options that MDIs have for transformative practice in the communities they serve. This study examines how the intersection of historical unfolding of inequality, governance structures, and financial technologies have shaped the “logic of reinvestment” (Chiong, Dymski, and Hernandez 2018)

of MDIs through a case study of Los Angeles County.

We first examine the trajectory of mortgage lending in Los Angeles, as revealed by HMDA data in the time period 1981 to 2007. Second, we implement an analysis of the legal requirements and socio-economic impacts of different federal and state lending programs linked to housing development. Third, we summarize data on MDIs in Los Angeles County from 1994 to 2018 to understand the growth of active MDIs over this period and their capacity to serve their communities. These research elements permit us to develop an innovative approach to the interlinkages of lending technologies and the role of federal and other levels of governance in shaping market and policy opportunities.

Is the Community Reinvestment Act Effective for Indian Country?

By Joanie Buckley, Oneida Nation Tribal Member and Russell Kashian, University of Wisconsin–Whitewater

The Community Reinvestment Act (CRA) is a U.S. law designed to encourage commercial banks to help meet the needs of borrowers in all segments of their communities, including low- and moderate-income neighborhoods (LMIs). Presidents of various Native American owned banks were interviewed, and one overarching comment surfaced: the law does not recognize the contribution of Native American banks to underserved Native Americans because many of these prospective borrowers live in rural areas outside of what are labelled “assessment areas” under the CRA. In effect, the limitations imposed by the assessment area component of the CRA punishes these banks and discourages them from acting on the underlying intent of the CRA to provide access to credit for their population – Native Americans. Furthermore,

¹² Full research papers can be found at <https://www.fedpartnership.gov/federal-reserve-resources>.

¹³ “Partnership for Progress,” Board of Governors of the Federal Reserve, <https://www.fedpartnership.gov>.

this requirement conflicts with the core foundation of and support by the Federal Deposit Insurance Corporation (FDIC) in promoting Minority Depository Institutions (MDIs) and their vital role in the financial system and to their communities.

If indeed the contribution of Native American Banks, as MDIs, provides an important mission in credit lending to their population, where the majority remain underserved, then consideration needs to be given to their outreach efforts to Native Americans, rather than activities within their CRA assessment area. We propose to measure their contribution through quantitative data on CRA ratings, and three case studies with qualitative data are provided to endorse the notion of expanding the CRA assessment area. Having a designation for CRA evaluation that can include the contributions of MDI Native American banks beyond their assessment area, to serve their population and to promote partnerships between MDIs and larger banks for investment into Indian Country, may further open up lending for those rural areas which remain underserved, specifically within reservations. This unique program directly connects these banks to their communities, throughout Indian Country, wherever they may live; and promotes the intent of MDIs and CRA to create economic investments in LMIs.

In mid-2019, the Board also commissioned a new piece of MDI research, which will be delivered in mid-2020. Gregory B. Fairchild from the University of Virginia will author a study titled “Just How Risky? Comparative Institutional Risks of Minority Depository Institutions (MDIs) and Community Development Financial Institutions (CDFIs).” This study will be presented to MDI leaders during a webinar in mid-2020.

In June 2019, as part of its initiative to gain a broader understanding of the banking sector, the Federal Reserve Bank of Kansas City released a book on the history of the first African American banks in the United States. The book is titled *Let Us Put Our Money Together: The Founding of America's First Black Banks* and is written by Tim Todd.¹⁴ Efforts to establish African American banks began

before the Civil War. The book is intended to be a resource for educators, historians, financial journalists, banks and more. *Let Us Put Our Money Together* details the nation's first black bankers in the 1800s, their challenges, innovation, and resilience. Three banks are prominently featured, the True Reformers Bank (Virginia), Capital Savings Bank (Washington, D.C.), and the Alabama Penny Savings Bank (Alabama). The book's title is inspired by Maggie Lena Walker, the first black female bank president in the U.S., who said, “Let us put our moneys together. Let us use our moneys; let us put our moneys out at usury among ourselves and reap the benefit ourselves. Let us have a bank that will take the nickels and turn them into dollars.” A complimentary hardcopy can be ordered via the [Kansas City Fed website](#). The book summary and a free e-book is also available online.

In addition, throughout 2019, 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 2019:

- *Perspectives from Main Street: Bank Branch Access in Rural Communities*.¹⁵ This report examines how rural consumers and small businesses use bank branches and how their communities have been affected by branch closures. Of the counties analyzed in the report, more than half lost bank branches between 2012 and 2017, with some predominantly rural counties experiencing considerable declines. The deeply affected rural counties

¹⁴ Tim Todd, *Let Us Put Our Money Together: The Founding of America's First Black Banks* (Kansas City: The Federal Reserve Bank of Kansas City, 2019).

¹⁵ Board of Governors of the Federal Reserve System, *Perspectives from Main Street: Bank Branch Access in Rural Communities* (Washington: Board of Governors, November 2019), <https://www.federalreserve.gov/publications/files/bank-branch-access-in-rural-communities.pdf>.

tended to be less economically well off and have residents with lower levels of education. They also had a greater proportion of minority residents relative to other rural counties. Much of the information in the report was gathered at listening sessions hosted by FRBs across the country between July 2018 and January 2019. The consumers, small-business owners, and local government officials who participated in the sessions said that while they have found local or technological substitutes for many, but not all services, the alternatives are generally more costly and less convenient.

- *Perspectives from Main Street: Stakeholder Feedback on Modernizing the Community Reinvestment Act*.¹⁶ This report is a summary of feedback received from bankers and community groups during a series of 29 roundtable discussions on the current state of, and potential revisions to, the Community Reinvestment Act (CRA). The information was gathered from CRA roundtables hosted by the Board and the FRBs held between October 2018 and January 2019. More than 400 participants shared views that will factor into the Board's consideration of any CRA modernization proposals. The Board held one roundtable discussion specifically for all Fed-regulated MDIs.
- *Low- and Moderate-Income Surveys*.¹⁷ 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.

¹⁶ Board of Governors of the Federal Reserve System, *Perspectives from Main Street: Stakeholder Feedback on Modernizing the Community Reinvestment Act* (Washington: Board of Governors, June 2019), <https://www.federalreserve.gov/publications/stakeholder-feedback-on-modernizing-the-community-reinvestment-act-201906.htm>.

¹⁷ For an example of an LMI survey, see the Federal Reserve Bank of Kansas City website, <https://www.kansascityfed.org/research/indicatorsdata/lmieconomicconditions>.

- *The Digital Divide in Indian Country*: Broadband access rates differ significantly among American Indian reservations but are, on average, low relative to national norms.¹⁸ Tribes and tribal organizations are working to reduce this impediment to economic development on reservations.
- *Small Business Credit Survey Report on Minority-Owned Firms*: Small businesses are crucial to the nation's economy. They employ almost half of U.S. workers and are important sources of employment and wealth building, particularly for minority communities. The number of minority-owned businesses has grown rapidly in recent years, which means that their well-being and ability to access financing is increasingly important to fostering economic opportunity and broader economic growth. This report examines the state of minority-owned businesses, offering insights on their performance, access to financing, and experiences in the credit market. Some key findings include:
 - For many minority-owned businesses, key performance indicators like profitability and revenue growth lagged White-owned firms.
 - Minority-owned firms relied to a greater extent on personal funds and on personal credit scores when applying for financing than did White-owned firms.
 - Minority-owned firms' loan applications tended to have worse outcomes (not controlling for other firm characteristics) than did the applications of White-owned firms, particularly at small banks or online lenders.
 - Dissatisfaction with a lender is relatively high among Black- and Hispanic-owned firms.¹⁹

¹⁸ "The Digital Divide in Indian Country," Center for Indian Country Development, Federal Reserve Bank of Minneapolis, January 7, 2019, <https://www.minneapolisfed.org/article/2019/the-digital-divide-in-indian-country>.

¹⁹ FED Small Business, *Report on Minority-Owned Firms*, December 2019, <https://www.fedsmallbusiness.org/survey/2019/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 Federal Reserve staff receive 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 Federal Reserve 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.

During 2019, PFP staff engaged with two investor groups seeking guidance on navigating the de novo process for establishing new banks with the regulatory agencies. PFP staff provided these investor groups with regulatory agency contacts and specific direction and timing for navigating the applications process. Ongoing contact was encouraged so that our staff could continue to assist with the challenges of the de novo process.

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 2019 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 through technical complexities and provide the PFP with valuable insight and feedback on challenges facing MDIs. In 2019, two state member MDIs reached out to the District coordinator seeking subject matter expertise on BSA. The PFP arranged for System subject matter experts to help these MDIs understand and navigate the complexities of BSA regulation and helped them to work on correcting deficiencies within their BSA programs.

Partnership for Progress Website

Consistent with past years, one of the primary vehicles for distributing educational materials rel-

evant to MDIs continues to be the System’s PFP website.²⁰

The website provides information about new regulations and their impact on community banking organizations; advertises regulatory and agency events relevant to MDIs; and shares information

focused on market conditions and economic data related to areas typically served by MDIs. To ensure continued relevance of posted material, PFP staff regularly update the website.

Additionally, in 2019, the PFP revised the MDI section of the Board’s website.²¹ The new version contains an updated description of the PFP program and links to quarterly MDI data and the PFP website. The new website is regularly updated by PFP staff.

Publications and Webinars

The Federal Reserve continues to support enhanced communications with community banks, including MDIs. To this end, the staff disseminates important information about regulatory matters through the publication and programs below, most of which are accessible through links on the PFP website.

The System’s *Community Banking Connections*® publication²² 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.

The System’s *Consumer Compliance Outlook*® publication²³ focuses on compliance with federal consumer protection laws and regulations for financial services and serves to

- clarify key supervisory guidance,
- explain new and existing regulatory compliance requirements,
- provide perspectives from bank examiners and System staff,
- address challenges and concerns facing community banks and provide resources to assist them, and
- discuss emerging compliance issues such as lenders’ use of alternative data in credit decisions.

Outlook Live is a webinar series dedicated to consumer compliance.²⁴ The Outlook Live webinars involve a variety of presenters from both the System and the other federal financial regulatory agencies, focusing on key emerging issues in the industry.

Ask the Fed® is a program of the Federal Reserve for officials of state member banks, other insured depository institutions, bank and thrift holding companies, state bank commissioners, and state banking associations.²⁵ *Ask the Fed*® consists of periodic conference call/webinars that feature Federal Reserve experts and guest speakers on top banking questions of the day with time at the end for questions and comments.

²⁰ Partnership for Progress, <https://www.fedpartnership.gov>.

²¹ “Minority Depository Institutions,” Board of Governors of the Federal Reserve System, last updated July 19, 2019, <https://www.federalreserve.gov/supervisionreg/minority-depository-institutions.htm>.

²² Community Banking Connections is a registered trademark of the Federal Reserve Bank of Philadelphia, <https://www.communitybankingconnections.org>.

²³ Consumer Compliance Outlook is a registered trademark of the Federal Reserve Bank of Philadelphia, <https://consumercomplianceoutlook.org>.

²⁴ The outlook live webinars can be seen at <https://consumercomplianceoutlook.org/outlook-live>.

²⁵ To register for *Ask the Fed*®, visit the site at <https://bsr.stlouisfed.org/askthefed/Auth/Logon>.

Appendix A: Section 308 of FIRREA

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

1. **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:
 - a. Preserving the present number of minority depository institutions.
 - b. Preserving their minority character in cases involving mergers or acquisition of a minority depository institution by using general preference guidelines in the following order:
 - i. Same type of minority depository institution in the same city.
 - ii. Same type of minority depository institution in the same State.
 - iii. Same type of minority depository institution nationwide.
 - iv. Any type of minority depository institution in the same city.
 - v. Any type of minority depository institution in the same State.
 - vi. Any type of minority depository institution nationwide.
 - vii. Any other bidders.
 - c. Providing technical assistance to prevent insolvency of institutions not now insolvent.
 - d. Promoting and encouraging creation of new minority depository institutions.

- e. Providing for training, technical assistance, and educational programs.

2. **DEFINITIONS.**—For purposes of this section—
 - a. **MINORITY FINANCIAL INSTITUTION.**—The term “minority depository institution” means any depository institution that—
 - i. if a privately owned institution, 51 percent is owned by one or more socially- and economically-disadvantaged individuals;
 - ii. if publicly owned, 51 percent of the stock is owned by one or more socially- and economically-disadvantaged individuals; and
 - iii. 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.

MINORITY.—The term “minority” means any Black American, Native American, Hispanic American, or Asian American.²⁶

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.

²⁶ Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 (1989).

Appendix B: MDI Tables and Figures

Table B.1. State member MDIs					
ID RSSD	Institution name	State	Reserve Bank District	Minority status	Assets (\$'000)
146056	Allnations Bank	OK	Kansas City	N	43,346
2785477	Asian Bank	PA	Philadelphia	A	238,451
940311	Banco Popular de Puerto Rico	PR	New York	H	41,627,000
64552	Bank 2	OK	Kansas City	N	198,963
815754	Bank of Cherokee County	OK	Kansas City	N	118,707
777366	Bank of the Orient	CA	San Francisco	A	894,124
680130	Citizens Trust Bank	GA	Atlanta	B	418,130
3337097	CommonWealth Business Bank	CA	San Francisco	A	1,162,520
197478	East West Bank	CA	San Francisco	A	44,181,503
	First Choice Bank	CA	San Francisco	A	1,690,431
296456	Firstbank	OK	Kansas City	N	322,210
2360904	Pacific Global Bank	IL	Chicago	A	219,898
365745	Pinnacle Bank	IA	Chicago	N	215,130
2736291	Popular Bank	NY	New York	H	10,055,910
2942823	United Bank of El Paso del Norte	TX	Dallas	H	236,063
Number of Institutions:	15		Total Assets		101,622,386

Figure B.1. Proportion of MDIs that are state member banks, 2015–19

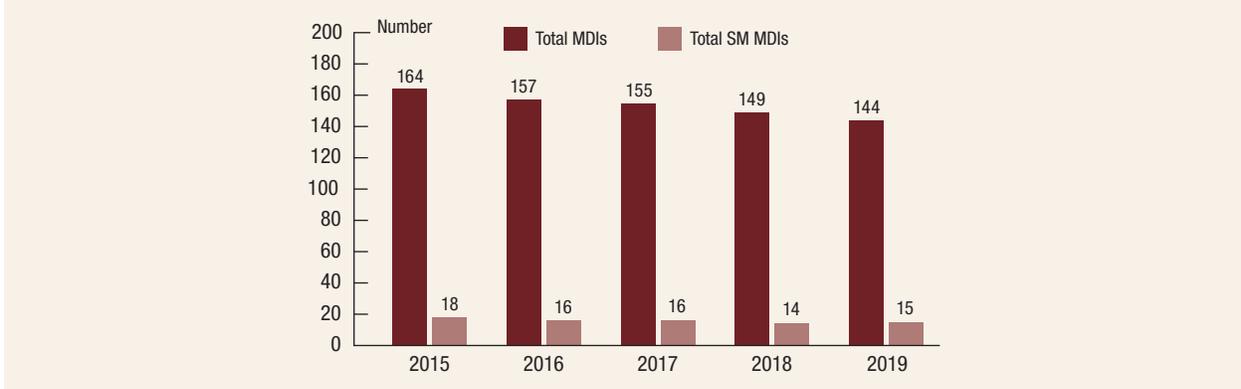


Figure B.2. Assets by type of MDI, 2015–19

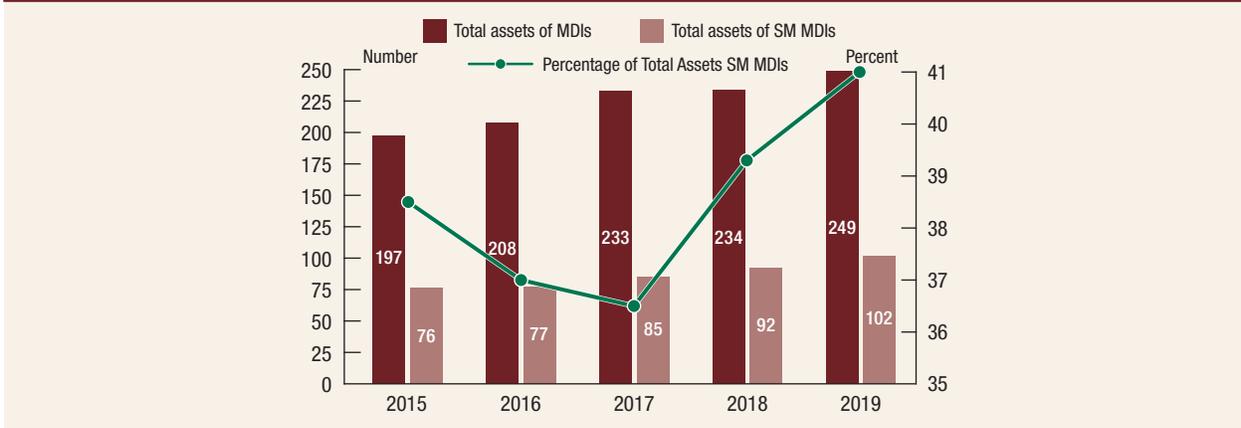
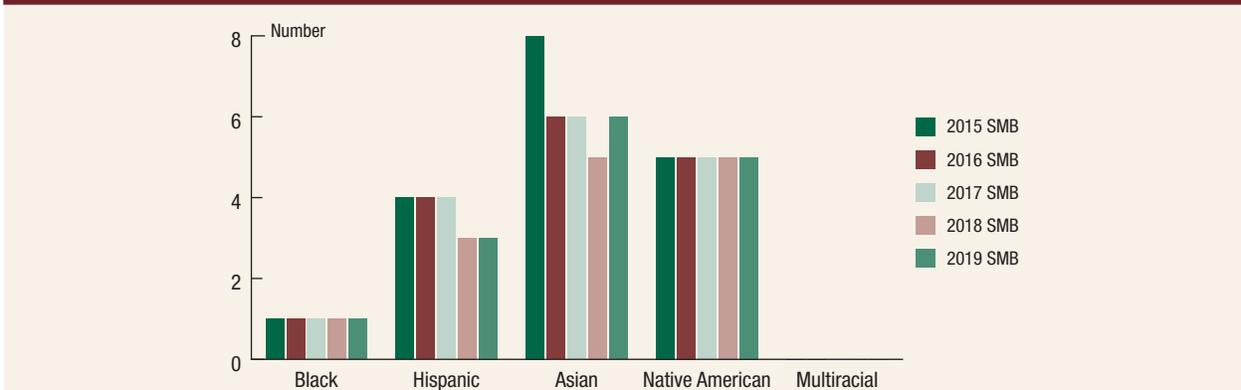


Figure B.3. Number of state member MDIs by type of minority, 2015–19



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 B.2. List of MDIs as of December 31, 2019

Name	City	State	Est. date	Class	Regulator	Minority status alpha	Total assets (\$'000)
Alamerica Bank	Birmingham	AL	20000128	NM	FDIC	B	19,584
Commonwealth National Bank	Mobile	AL	19760219	N	OCC	B	49,791
American Continental Bank	City of Industry	CA	20031006	NM	FDIC	A	269,874
American Plus Bank, N.A.	Arcadia	CA	20070808	N	OCC	A	563,445
Asian Pacific National Bank	San Gabriel	CA	19900725	N	OCC	A	56,537
Bank of Hope	Los Angeles	CA	19860318	NM	FDIC	A	15,666,543
Bank of the Orient	San Francisco	CA	19710317	SM	FED	A	894,124
Bank of Whittier, National Association	Whittier	CA	19821220	N	OCC	A	73,884
Broadway Federal Bank, f.s.b.	Los Angeles	CA	19470226	SB	OCC	B	438,033
California Business Bank	Irvine	CA	20051101	NM	FDIC	A	82,608
California International Bank, N.A.	Westminster	CA	20051130	N	OCC	A	42,943
California Pacific Bank	San Francisco	CA	19801016	NM	FDIC	A	77,392
Cathay Bank	Los Angeles	CA	19620419	NM	FDIC	A	18,066,529
Commercial Bank of California	Irvine	CA	20030515	NM	FDIC	H	1,084,381
Commonwealth Business Bank	Los Angeles	CA	20050303	SM	FED	A	1,162,520
Community Commerce Bank	Claremont	CA	19761001	NM	FDIC	H	279,859
CTBC Bank Corp. (USA)	Los Angeles	CA	19650427	NM	FDIC	A	3,673,681
East West Bank	Pasadena	CA	19720101	SM	FED	A	44,181,503
Eastern International Bank	Los Angeles	CA	19850226	NM	FDIC	A	128,700
EverTrust Bank	Pasadena	CA	19950503	NM	FDIC	A	945,202
First Choice Bank	Cerritos	CA	20050818	SM	FED	A	1,690,431
First Commercial Bank (USA)	Alhambra	CA	19970520	NM	FDIC	A	692,103
First General Bank	Rowland Heights	CA	20051013	NM	FDIC	A	977,318
Gateway Bank, F.S.B.	Oakland	CA	19900608	SB	OCC	A	128,563
Hanmi Bank	Los Angeles	CA	19821215	NM	FDIC	A	5,530,677
Mega Bank	San Gabriel	CA	20080205	NM	FDIC	A	389,990
Metropolitan Bank	Oakland	CA	19830901	NM	FDIC	A	181,441
Mission National Bank	San Francisco	CA	19820216	N	OCC	A	250,037
New OMNI Bank, National Association	Alhambra	CA	19800212	N	OCC	A	460,253
Open Bank	Los Angeles	CA	20050610	NM	FDIC	A	1,179,378
Pacific Alliance Bank	Rosemead	CA	20061227	NM	FDIC	A	269,124
Pacific City Bank	Los Angeles	CA	20030918	NM	FDIC	A	1,746,302
Preferred Bank	Los Angeles	CA	19911223	NM	FDIC	A	4,630,165
Royal Business Bank	Los Angeles	CA	20081118	NM	FDIC	A	2,783,284
United Pacific Bank	City of Industry	CA	19820511	NM	FDIC	A	149,364
Universal Bank	West Covina	CA	19541117	SB	OCC	A	417,227
US Metro Bank	Garden Grove	CA	20060915	NM	FDIC	A	542,288
Native American Bank, National Association	Denver	CO	19870727	N	OCC	N	132,849
Industrial Bank	Washington	DC	19340818	NM	FDIC	B	530,840
BAC Florida Bank	Coral Gables	FL	19731012	NM	FDIC	H	2,260,033
Banescos USA	Coral Gables	FL	20060110	NM	FDIC	H	1,718,155
Central Bank	Tampa	FL	20070226	NM	FDIC	A	200,413
Executive National Bank	Miami	FL	19720607	N	OCC	H	467,405
Interamerican Bank, A FSB	Miami	FL	19760823	SB	OCC	H	201,400
International Finance Bank	Miami	FL	19831130	NM	FDIC	H	780,095
Ocean Bank	Miami	FL	19821209	NM	FDIC	H	4,314,163
Plus International Bank	Miami	FL	20010914	NM	FDIC	H	72,586
Sunstate Bank	Miami	FL	19990315	NM	FDIC	H	451,808
U. S. Century Bank	Doral	FL	20021028	NM	FDIC	H	1,312,272
Carver State Bank	Savannah	GA	19270101	NM	FDIC	B	42,345
Citizens Trust Bank	Atlanta	GA	19210618	SM	FED	B	418,130
Embassy National Bank	Lawrenceville	GA	20070305	N	OCC	A	109,617
First IC Bank	Doraville	GA	20000131	NM	FDIC	A	704,772

(continued)

Table B.2.—*continued*

Name	City	State	Est. date	Class	Regulator	Minority status alpha	Total assets (\$'000)
Loyal Trust Bank	Johns Creek	GA	20191118	NM	FDIC	A	25,679
Metro City Bank	Doraville	GA	20060404	NM	FDIC	A	1,636,039
PromiseOne Bank	Duluth	GA	20081106	NM	FDIC	A	450,362
Quantum National Bank	Suwanee	GA	19951227	N	OCC	A	512,653
Touchmark National Bank	Alpharetta	GA	20080128	N	OCC	A	407,629
ANZ Guam, Inc.	Hagatna	GU	19910111	NM	FDIC	A	335,195
Bank of Guam	Hagatna	GU	19721211	NM	FDIC	A	1,944,695
BankPacific, Ltd	Hagatna	GU	19530101	SL	FDIC	A	154,562
Finance Factors, Ltd.	Honolulu	HI	19520514	NM	FDIC	A	589,208
Hawaii National Bank	Honolulu	HI	19600916	N	OCC	A	665,004
Ohana Pacific Bank	Honolulu	HI	20060601	NM	FDIC	A	183,814
Pinnacle Bank	Marshalltown	IA	19270505	SM	FED	N	215,130
American Metro Bank	Chicago	IL	19970129	NM	FDIC	A	80,451
Citizens Bank of Chatsworth	Chatsworth	IL	19340101	NM	FDIC	A	33,495
GN Bank	Chicago	IL	19340101	SB	OCC	B	137,351
International Bank of Chicago	Chicago	IL	19921026	NM	FDIC	A	677,878
Millennium Bank	Des Plaines	IL	20070702	NM	FDIC	A	153,551
Pacific Global Bank	Chicago	IL	19951109	SM	FED	A	219,898
CBW Bank	Weir	KS	18920101	NM	FDIC	A	86,916
Metro Bank	Louisville	KY	19970106	NM	FDIC	B	26,311
Liberty Bank and Trust Company	New Orleans	LA	19721116	NM	FDIC	B	601,545
Leader Bank, National Association	Arlington	MA	20020508	N	OCC	A	1,583,299
OneUnited Bank	Boston	MA	19820802	NM	FDIC	B	654,051
The Harbor Bank of Maryland	Baltimore	MD	19820913	NM	FDIC	B	311,321
First Independence Bank	Detroit	MI	19700514	NM	FDIC	B	295,951
Woodlands National Bank	Hinckley	MN	19081001	N	OCC	N	207,944
People's Bank of Seneca	Seneca	MO	19960315	NM	FDIC	N	238,507
Eagle Bank	Polson	MT	20060725	NM	FDIC	N	70,491
Lumbee Guaranty Bank	Pembroke	NC	19711222	NM	FDIC	N	343,753
Mechanics & Farmers Bank	Durham	NC	19080301	NM	FDIC	B	265,273
Turtle Mountain State Bank	Belcourt	ND	20071203	NM	FDIC	N	35,753
KEB Hana Bank USA, National Association	Fort Lee	NJ	19860916	N	OCC	A	243,086
New Millennium Bank	Fort Lee	NJ	19990719	NM	FDIC	A	389,647
Centinel Bank of Taos	Taos	NM	19690301	NM	FDIC	H	279,487
Abacus Federal Savings Bank	New York	NY	19841129	SB	OCC	A	353,374
Amerasia Bank	Flushing	NY	19880620	NM	FDIC	A	691,915
Carver Federal Savings Bank	New York	NY	19480101	SB	OCC	B	571,987
Eastbank, National Association	New York	NY	19841126	N	OCC	A	175,530
Global Bank	New York	NY	20070312	NM	FDIC	A	202,466
NewBank	Flushing	NY	20060929	NM	FDIC	A	451,432
Piermont Bank	New York	NY	20190701	NM	FDIC	A	45,298
Ponce Bank	Bronx	NY	19600331	SB	OCC	H	1,051,663
Popular Bank	New York	NY	19990102	SM	FED	H	10,055,910
Shinhan Bank America	New York	NY	19901018	NM	FDIC	A	1,627,721
United Orient Bank	New York	NY	19810409	NM	FDIC	A	82,908
AllNations Bank	Calumet	OK	19010101	SM	FED	N	43,346
Bank 2	Oklahoma City	OK	19030101	SM	FED	N	198,963
Bank of Cherokee County	Hulbert	OK	19081201	SM	FED	N	118,707
Bank of Commerce	Stilwell	OK	19030203	NM	FDIC	N	131,854
Bank of Grand Lake	Grove	OK	20050609	NM	FDIC	H	170,152
F & M Bank	Edmond	OK	19020101	NM	FDIC	N	480,916
First National Bank and Trust Company	Shawnee	OK	19841029	N	OCC	N	243,644
First Security Bank and Trust Company	Oklahoma City	OK	19510406	NM	FDIC	B	55,713
FirstBank	Antlers	OK	19010101	SM	FED	N	322,210
Gateway First Bank	Jenks	OK	19350503	NM	FDIC	N	1,498,327

(continued)

Table B.2.—*continued*

Name	City	State	Est. date	Class	Regulator	Minority status alpha	Total assets (\$'000)
Oklahoma State Bank	Vinita	OK	19380713	NM	FDIC	N	154,754
Asian Bank	Philadelphia	PA	19990609	SM	FED	A	238,451
Noah Bank	Elkins Park	PA	20060717	NM	FDIC	A	390,453
United Bank of Philadelphia	Philadelphia	PA	19920323	NM	FDIC	B	49,442
Banco Popular de Puerto Rico	Hato Rey	PR	19990102	SM	FED	H	41,627,000
Banco Santander Puerto Rico	San Juan	PR	19721002	NM	FDIC	H	6,005,654
FirstBank Puerto Rico	Santurce	PR	19490117	NM	FDIC	H	12,597,360
Oriental Bank	San Juan	PR	19650325	NM	FDIC	H	9,253,736
OPTUS Bank	Columbia	SC	19990326	NM	FDIC	B	78,131
Citizens Savings Bank and Trust Company	Nashville	TN	19040104	NM	FDIC	B	97,321
Tri-State Bank of Memphis	Memphis	TN	19461216	NM	FDIC	B	85,617
American First National Bank	Houston	TX	19980518	N	OCC	A	1,904,248
Bank of South Texas	Mcallen	TX	19860708	NM	FDIC	H	137,980
Citizens State Bank	Roma	TX	19780515	NM	FDIC	H	87,941
Commerce Bank	Laredo	TX	19820331	NM	FDIC	H	508,218
Falcon International Bank	Laredo	TX	19861210	NM	FDIC	H	1,294,446
First State Bank	Shallowater	TX	19601008	NM	FDIC	A	95,194
Freedom Bank	Freer	TX	19580712	NM	FDIC	H	48,148
Golden Bank, National Association	Houston	TX	19850503	N	OCC	A	1,022,609
Greater State Bank	Mcallen	TX	19740101	NM	FDIC	H	89,273
International Bank of Commerce	Zapata	TX	19840206	NM	FDIC	H	384,273
International Bank of Commerce	Brownsville	TX	19841009	NM	FDIC	H	1,074,874
International Bank of Commerce	Laredo	TX	19660902	NM	FDIC	H	8,724,864
Lone Star National Bank	Pharr	TX	19830124	N	OCC	H	2,418,865
One World Bank	Dallas	TX	20050404	NM	FDIC	A	106,645
Rio Bank	Mcallen	TX	19850211	NM	FDIC	H	544,956
Southwestern National Bank	Houston	TX	19971103	N	OCC	A	590,447
State Bank of Texas	Dallas	TX	19871019	NM	FDIC	A	853,091
Texas National Bank	Mercedes	TX	19201126	N	OCC	H	330,035
United Bank of El Paso del Norte	El Paso	TX	20010501	SM	FED	H	236,063
Unity National Bank of Houston	Houston	TX	19850801	N	OCC	B	106,140
Wallis Bank	Wallis	TX	19721028	NM	FDIC	A	796,690
Zapata National Bank	Zapata	TX	19611116	N	OCC	H	86,614
UniBank	Lynnwood	WA	20061101	NM	FDIC	A	347,435
Bay Bank	Green Bay	WI	19950821	NM	FDIC	N	108,303
Columbia Savings and Loan Association	Milwaukee	WI	19240101	SL	FDIC	B	21,979
Total			Count	144			248,619,176

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