



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D.C. 20551

DIVISION OF
SUPERVISION AND REGULATION

DIVISION OF CONSUMER AND
COMMUNITY AFFAIRS

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In March 2021, this letter was revised to clarify that the Federal Reserve System separately defines minority depository institutions and women's depository institutions and that all such entities are eligible to access resources under the Federal Reserve System's Partnership for Progress program.

**TO THE OFFICER IN CHARGE OF SUPERVISION
AT EACH FEDERAL RESERVE BANK**

**SUBJECT: Highlighting the Federal Reserve System's Partnership for Progress Program for
Minority Depository Institutions and Women's Depository Institutions**

Applicability: This letter only applies to minority depository institutions and women's depository institutions (each as defined in this letter) that are subject to Federal Reserve System supervision.

This letter outlines for Federal Reserve System (System) staff, minority depository institutions (MDIs), and women's depository institutions (WDIs) the System's Partnership for Progress (PFP) program and the PFP program resources that are available to MDIs and that are being made available to WDIs.

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. The System remains strongly committed to identifying and carrying through on all opportunities to support MDIs, consistent with its statutory mandate.¹ In addition, the System is strongly committed to supporting opportunities for WDIs.

I. Overview and Organizational Structure of the PFP Program

The PFP program is the System's national MDI and WDI outreach program and implements the System's efforts to support these institutions. Established in 2008, it was created in recognition of the importance of, and works to preserve and promote, MDIs. The System also recognizes the importance of

¹ Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act, as amended in 2010 by section 367 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, requires that the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency preserve and promote MDIs and report annually to Congress on their programs.

WDIs, and the PFP program’s mission is to provide MDIs and WDIs with resources to assist them with operating in a safe-and-sound manner, adhering to laws that protect consumers, and meeting Federal Reserve Board (Board) supervisory standards.

The Board’s Division of Supervision and Regulation (S&R) and Division of Consumer and Community Affairs (DCCA) maintain an Executive Oversight Committee and Working Group that oversee and direct the PFP program. A representative from each of S&R and DCCA serves as a National Co-Coordinator of the PFP program.

Each Reserve Bank designates a District Coordinator to oversee the PFP program within its district. District Coordinators operate under the oversight and management of the PFP Program Manager, which is located at the Federal Reserve Bank of Philadelphia. The Board’s PFP Working Group works with the Program Manager and the District Coordinators to conduct outreach activities for MDIs and WDIs at the district level. Further, District Coordinators coordinate with the designated central point of contact or the examiner-in-charge of each such institution at the applicable Reserve Bank to facilitate discussions with these institutions to determine their needs, understand their mission and goals, and seek any recommendations for potential enhancements to the PFP program. District Coordinators also work with the examiner-in-charge to be informed of and help with the scoping and planning of examinations of these institutions.

The Board’s PFP Working Group seeks to achieve the program’s goals outlined above through:

1. Holding periodic meetings with the Board’s PFP Executive Oversight Committee, Program Manager, and District Coordinators, to coordinate MDI and WDI outreach efforts;
2. Offering training and outreach sessions to these institutions through Ask the Fed® and district-initiated training programs;
3. Providing targeted information to these institutions on the System’s supervisory and applications processes and making research available through the PFP website; and
4. Producing research, convening stakeholders, and promoting these institutions through speeches and other publications.

The PFP Working Group fulfills the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) requirements and oversight responsibilities to preserve and promote MDIs primarily through the PFP program.

II. Defining “Minority Status” and “MDI”

FIRREA defines the term “minority” to mean any Black American, Native American, Hispanic American, or Asian American.

The System’s definition of MDI is consistent with the FIRREA definition of “minority bank,” and states that an MDI is any depository institution (either privately or publicly owned) where 51 percent or more of the voting stock is owned by one or more socially and economically disadvantaged individuals (ownership test), and in the case of a mutual institution where the majority of the board of directors consists of minority individuals, the majority of the account holders consists of minority individuals, and the community which it services is predominantly minority.^{2,3}

² 12 USC § 1823(f)(12).

³ For the purposes of the System’s definition of MDI, a U.S. subsidiary of a foreign-owned bank does not qualify as an MDI.

In addition to institutions that meet the FIRREA qualifying criteria, the System considers an institution to be an MDI if a majority of its board of directors consists of minority individuals and the community that the institution serves is predominantly minority.

III. Defining “WDF”

The System’s definition of “women’s depository institution” is consistent with the statutory definition of this term in the Community Reinvestment Act, and includes any depository institution in which (A) more than 50 percent of the ownership or control of which is held by 1 or more women; (B) more than 50 percent of the net profit or loss of which accrues to 1 or more women; and (C) a significant percentage of senior management positions of which are held by women.⁴

IV. Background on Statutory Mandates

FIRREA, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act, requires the Federal Reserve to consult with the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) on the best methods for achieving the following goals:

1. Preserving the number MDIs;
2. Preserving their minority character in cases involving mergers or acquisition of an MDI by using certain general preference guidelines;
3. Providing technical assistance to prevent insolvency of currently solvent MDIs;
4. Providing training, technical assistance, and educational programs; and
5. Promoting and encouraging the creation of new MDIs.

V. MDI and WDI Designation Process

The Board coordinates with the OCC and FDIC to maintain a list of all designated MDIs, which is published on the FDIC’s website.⁵ Further, PFP staff will develop, publish, and maintain on the PFP website a list of all System-designated WDIs.⁶ To ensure that all MDIs and WDIs are able to participate in the PFP program, the Board accepts requests for designations at any time. An eligible institution not already designated can request to be designated by contacting its Reserve Bank and certifying that it meets the relevant definition. District Coordinators share this information with the Board, which makes the final determination on MDI and WDI designation and inclusion in the PFP program. Inclusion in the PFP program is voluntary. Any designated institution that no longer wishes to participate in the PFP program will be removed from the relevant official list upon written request to its District Coordinator or the Board. A depository institution that meets the System’s definition of both MDI and WDI may elect to be on either, both, or none of the official lists.

VI. Engagement with MDIs and WDIs

At the direction of the Board’s PFP Working Group, System PFP staff will conduct outreach and provide technical assistance, training, education, and gatherings for MDIs and WDIs. Examples of these activities include:

- 1) Outreach

⁴ 12 USC § 1209(b)(2).

⁵ The list of MDIs can be found here: <https://www.fdic.gov/regulations/resources/minority/mdi.html>.

⁶ The PFP program website can be found at: <https://www.fedpartnership.gov>.

PFP staff will periodically meet with these institutions to provide general program information and resources to assist them with challenges or needs, and to determine any specific need. This may include educating them about new academic research related to their market sector. PFP staff may also connect them with other interested parties to discuss mutually beneficial partnerships. For example, PFP staff may bring these institutions together with banks that have an incentive to invest in them under the Community Reinvestment Act. Similarly, PFP staff may connect them with entities that have expressed an interest in investing in minority-owned or women-owned banks.

2) Technical Assistance: General and Examination Follow-up

a) *General*

PFP staff will provide ongoing technical assistance to these institutions, including with respect to bank or bank holding company regulations, System policies, examination procedures, or other challenges that they might be facing. Upon request for technical assistance by an institution, District Coordinators will arrange for System subject matter experts to advise on risk-management procedures, accounting practices, recruiting techniques, and any other requests for technical assistance. Such System subject matter experts will not perform tasks that are the responsibility of these institutions. For example, System staff subject matter experts may explain Call Report instructions as they relate to specific accounts, but will not assist in the preparation of an institution's Call Report. As another example, System subject matter experts may provide information to the institution on community reinvestment opportunities, but will not recommend any specific transaction. The applicable Reserve Bank and institution will document and specify the work and assistance to be provided by System subject matter experts.⁷

b) *Examination Follow-up*

In coordination with their District Coordinator, examiners are expected to follow-up with their MDIs and WDIs post-examination to explain any supervisory recommendations and, when requested, support the management of these institutions in addressing such recommendations. Examiners will also assess the quality of information flow during the examination and enhance such management's understanding of supervisory policies, examination findings, and examination recommendations. Follow-up activities are not designed to identify new problems. Post-examination follow-up activities offered to an institution should reflect a proactive approach through either a letter, a phone call, or on-site assistance. The level of post-examination assistance should be commensurate with the issues facing the institution; institutions with a higher level of examination recommendations would generally be offered a higher level of technical assistance in implementing those recommendations.

c) *Applications Processes and De Novo Inquiries*

District Coordinators will support these institutions in the applications process and the type of analysis and information required for different types of applications. The Program Manager and the District Coordinators will provide support regarding the process for proposed *de novo* formations or mergers and acquisitions involving these institutions, and will work with trade associations and other organizations to attempt to identify and/or assist groups that may be interested in establishing new MDIs or WDIs. PFP staff will engage with such organizations to discuss: i) the applications process; ii) structure and charter options; iii) requirements for

⁷ The Board PFP Working Group can assist with outreach agreements and language development.

obtaining FDIC insurance; and iv) the various programs geared toward fostering these institutions.

3) Training, Education, and Gatherings

PFP staff will work with these institutions, trade associations representing them, prospective investors, and the OCC and FDIC to periodically assess the need for, and provide, training opportunities, collaborative outreach, and educational opportunities. PFP staff will collaborate with the trade associations and other regulators to offer training programs during their annual conferences and other regional meetings.

VII. Failing Institutions

PFP staff will work with System applications staff and consult with the OCC and FDIC to explore strategies to facilitate the applications process for MDIs and WDIs in the event of an impending failure of an institution. PFP staff, consulting with the FDIC, will attempt to preserve the character of any failing institution with these designations during the resolution process.

VIII. Distribution and Contacts

Reserve Banks are asked to distribute this letter to the District Coordinators in their district and to safety-and-soundness, consumer examination, and community development staff. Questions regarding this letter should be submitted via the Board's public website.⁸

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Supersedes:

- SR 13-15 / CA 13-11, "Federal Reserve Resources for Minority Depository Institutions"

⁸ See <http://www.federalreserve.gov/apps/contactus/feedback.aspx>.