



## The Power of Partnership

**BRIAN SULLIVAN:** Hey, welcome back to the FDIC Podcast and another episode in a series we call 'Banking on Inclusion.' I'm Brian Sullivan with the Federal Deposit Insurance Corporation. Today, we continue a conversation about the work to expand access to credit and banking services to people and places that have historically lacked this access.

Now you've heard us on this podcast talk about 'mission-driven banks' or financial institutions with a purpose to serve those communities that may be underserved. Minority Depository Institutions and Community Development Financial Institutions are on the front lines of this work... but let's face it, those institutions...generally speaking...are smaller with fewer resources compared larger banks with greater levels of capital to invest.

Today, we're going to talk about the work to bring these two types of banks together...smaller minority banks and larger financial institutions...all with the mind to open markets and to amplify the work of minority banks in the communities that they serve.

A bit of housekeeping...the views and opinions expressed by our guests on this podcast are theirs alone, and may not reflect those of the FDIC or its Board members.

Well we'll be joined by a couple of bankers whose institutions are engaged in this kind of partnership. But first, let's set the stage and welcome back, Nicole Elam, President and Chief Executive Officer of the National Bankers Association, a nearly century old organization representing the nation's minority financial institutions. And Nicole, welcome back to you!

**NICOLE ELAM:** Well, thank you for having me, Brian. It's good to be back. And it's certainly an honor for the National Bankers Association to co-host the Banking on Inclusion podcast.

**BRIAN SULLIVAN:** Nicole, from where you sit, are there new ... or *more*...conversations taking place these days among the banks you represent and larger regional, national, and even global banks?

**NICOLE ELAM:** You know, I think that there are more and new conversations that are happening. I would say these conversations started in 2019 and they really gained a lot of momentum in 2020, post-pandemic and post-George Floyd, as folks are making commitments to black, brown and underserved

communities. And what I would say started as partnerships that were more philanthropic in nature, were more about grants, really evolved to being discussions around how do big banks integrate minority banks, or MDIs, into the way that they do business. And so you started to see more partnerships around capital and deposits and doing deals together, maybe even secondment programs and providing advisory services to help these banks grow and scale up.

Technology was a big area that partnerships were being created around. And now we're starting to see some of these larger organizations introduce minority banks to their networks, to their customers, to their clients. And now I would say what started as philanthropy and moved to business. We're starting to see a lot of public policy partnerships where we're going to the Hill and we're talking together.

**BRIAN SULLIVAN:** Nicole, there's an obvious benefit to smaller minority banks partnering with larger financial institutions whether it's through capital investments or deposits or the kind of technical assistance you just mentioned...but what do you think the benefits are for the larger institutions by partnering with minority banks?

**NICOLE ELAM:** Yeah, I would say that there's a lot of good benefits. You know, doing good is also good for business. There is a demand right now that you see from investors, your customer-client base, your employees to do more in communities and so I think part of it is in response to the demand...people want to bank with and work with and shop with organizations that are mission minded. And so I think that it fits that, it checks that box. I think the second thing is, is it helps them meet some of the needs that they have. You think about the Community Reinvestment Act and some of the mandates and requirements for larger institutions to serve communities that they might not otherwise serve. Working with minority banks help them meet some of their CRA goals.

There are also some tax credits and tax benefits when you think about things like New Markets Tax Credits. There are ways that they can invest in those communities. So I think it's good from a business perspective and I also think that it's demanded when you think about how your customer bases is changing and people are demanding this type of work.

**BRIAN SULLIVAN:** Right, so maybe in years past you saw this kind of partnership more from the philanthropic point of view but now it seems like it makes, at least in some people's mind, they're starting to realize it makes business sense.

**NICOLE ELAM:** So, oh, my gosh, absolutely. Because stronger communities is stronger for your business, right? When you've got a stronger community base, that's more purchasing power in your community, that's a better healthy economy. And so I think people are starting to see the numbers and cents about why it makes good business sense.

**BRIAN SULLIVAN:** What would you tell ... you represent these minority banks... what do you tell larger financial institutions about getting involved in this way?

**NICOLE ELAM:** Yeah, so I would say you have to get involved in a way that makes sense for you. You can't do everything but what is a place that you can go deep? And so with some people it's just doing capital, with others it's making deposits. With some it's trying to find ways to work together on

technology. Others, it's deal flow and so I would say find a lane that you really excel in and partner with the banks.

One of the things that that I've heard my member banks say when somebody is trying to partner with them is “what do you do great and how can you help me do that great as well?” So if you are really great at merchant services or you're really great at small business or homeowner, how do you do that thing and how can you help me do it better?

**BRIAN SULLIVAN:** Nicole, thank you as always for joining us on the FDIC Podcast!

**NICOLE ELAM:** Thank you for having me. It's always good to be here.

**BRIAN SULLIVAN:** Now let's turn to two bankers with very personal stories to tell about the power of these partnerships. Dominik Mjartan is President and CEO of Optus Bank, a comparatively small but growing minority depository institution based in Columbia, South Carolina...and Harold Butler with Citibank, one of the world's largest banks. Harold is the Managing Director of the relatively new Diverse Financial Institutions Group. Gentlemen, welcome to you both... Dominik, let's begin with you. Tell us a little bit about your bank and what you were looking for in your partnership with Citi?

**DOMINIK MJARTAN:** That could be like a six hour-long answer so I will try to be very brief. But Optus Bank is currently one of 22 Black MDIs in the country and we are also a Community Development Bank, a CDFI. The bank was founded in 1921 by a group of very courageous and visionary African-Americans who believed that every person should have access to live a healthy and productive life and they understood that the banking system at that time was explicitly excluding all people of color, but particularly African-Americans. So they created this bank and over 100 years later, the bank is thriving. We have grown substantially to meet the needs of our community, and unfortunately, the needs that were identified in 1921 still persist to this day. And we see that every day in research and studies and just on the street dealing with customers, that they are still being severely excluded by the mainstream financial ecosystem so that's why this bank continues to be relevant today.

However, given that mission that we serve the more vulnerable, more underserved, as we define them more underestimated communities, they are frequently capital starved, more so than their mainstream counterparts. And so us trying to raise liquidity, raise capital, create a financial institution that's thriving while serving the more vulnerable communities, you could say is not a really viable business model without some sort of support from the main street financial ecosystem, which is where these amazing partnerships with banks like Citibank comes in because they give us a chance to actually meet the needs of our communities by closing those gaps that we face as a minority financial institution in serving more...not necessarily risky, but more vulnerable populations that have been underserved for for many, many years and frequently centuries.

**BRIAN SULLIVAN:** Well, Harold, tell us about the group that you lead at Citi. I said it was relatively new, but not so new. How did that get started? And then how did you come to meet this guy?

**HAROLD BUTLER:** Yes. Well, it is relatively new. It became official after the murder of George Floyd when Citi and others made commitments to the street that we were going to do things to help reduce

the racial wealth gap and increase economic mobility across the country. And Citi formed this group who was dedicated towards being sort of the execution arm of that commitment. So the group, my group, does indeed focus on helping to increase opportunities both from our ability to make an impact from an equity standpoint, but from the revenue-generating opportunities that I mentioned. And there's also opportunities that we provide and participate in, like around secondments and things like that, that actually help bring quality technical assistance or individuals that can that help a bank like Dom's see that new valley, right, the resources.

**BRIAN SULLIVAN:** Well now Dom, what was your pitch? Did you make a pitch or Harold, did you make the pitch? Who pitched who here?

**HAROLD BUTLER:** Well, you know, if you know Dom, you know, when we sort of got into the industry, I got a telephone call one day and it was Dom...this is who we are, this is what we want to do. And there is no 'no.' No is not an option and let's get after an opportunity for Citi to help Optus do the things and achieve the things that we'd like to do. And so that's the way I remember it, because, you know, Dom he's a very matter of fact...can I use the word 'bulldog?' But it's in a good way, right? Did I say it right, Dom or was there another way that we met that I don't remember? Because I know I worked for you. I know that much!

**DOMINIK MJARTAN:** You did and still do, thank you very much. You still work for all of us, really all the MDIs. But the amazing thing about Harold and his team... and the entire team at Citi all the way up to Mark Mason and Jane Fraser...was, I had to pitch something but they were already committed. They were already in the play. They understood, as Jane Frasier herself explained it to me in a meeting that Herald set up for us, they believe that the financial ecosystem can only thrive if there are diverse institutions in it. And in fact, I think it was either her or Mark said that they understand that Citibank's shareholders are only going to thrive if Citibank builds a healthy and vibrant financial ecosystem that serves *all* communities and they understand that Citi needs to partner with financial institutions to do that. So that sales pitch didn't have to be as heavy as it has to be in some others.

**BRIAN SULLIVAN:** So you started at 'yes', but you had a particular ask. And so I guess I'm opening the door to get a sense of the partnership that you have now. What is Citi doing for you and then, conversely, what are you doing for Citi?

**DOMINIK MJARTAN:** Well, I think the partnership at the top, the way I see the partnership, is we're working together to build a healthy and vibrant financial ecosystem that serves all people, regardless where they are on their journey to build wealth. That's the starting point. And I think that's the leadership of Citi and Harold and our board and our leadership sees that this is a joint effort.

The very first step was really to help build the equity base of the bank. At the time, post-George Floyd, a lot of our banks were severely undercapitalized...for centuries, really. And our bank had always been undercapitalized. But for our board really putting some dollars in it to, to preserve it and do as much as we can for the community, we were very constrained. So Citibank was actually the first equity investor, together with Wells Fargo, they partnered, which is another unique feature...thanks to really Harold and the team being willing to partner with another financial institution to bring capital to this space. They partnered and invested in us, but not only once, actually twice.

So the bank continued to grow and we were looking at some additional opportunities and as the bank continued to grow, they saw the potential. And so Harold one day suggested, look, you guys are growing, you should think about what else do you need? I said, "Well, we need more capital. He said, "Well, okay, we'll send a note to Jane Fraser and tell her what you need, and he and I socialized the ask, and a few weeks later, more capital showed up. But then, of course, post said capital. So we now have the equity base, right? Banks need Tier 1 equity. We started to generate some liquidity, but also our institutions were so small. When I started at the bank, we had 12 employees and \$47 million in assets. Today we're about \$540 million in assets and about 50 employees. A huge part of that growth was really catalyzed by Harold and Citi with those two equity investments. But equally important was these banks, just like a small business, minority-owned business, they need three forms of capital. They need the financial capital, but they also need the human capital, and then they need the social capital. Just like we tell our small business owners, minorities, don't forget about the three. Having money is not the only thing you need. You need the social network and this partnership has provided all three, right? The fact that we're sitting here, clearly we have access to social capital. The fact that I actually have an office occasionally at Citibank's headquarters where I go work from when I'm in New York...they open the doors for me to other investors and helped us raise over half a billion in capital for Optus Bank. That's the social capital.

And then the human capital...for the last almost two years we've had a really high caliber, executive-level leader from Citibank on loan to Optus Bank that's helped transform our digital banking solutions. So that's the human capital. Our bank...not only could we never afford him financially, especially three years ago when we started to grow...but people like that talent represents are not necessarily looking at MDIs as potential career opportunities, but because he came from Citi, he saw the amazing opportunity to actually be a Chief Technology Officer at this little bank that has tripled in size since he started, by the way. That's the power of this partnership.

**BRIAN SULLIVAN:** Now, Harold, what does your bank get out of that? The benefit to Dom's bank is fairly obvious, but what is a large institution like Citi get out of partnering with a much smaller bank?

**HAROLD BUTLER:** Well, you know, it's a great question. And I'll answer it this way. I'll be honest in saying that when we first started this partnership, and really all the partnerships that we have today, this journey, we had an admirable goal, which we have thankfully been able to achieve around helping to support MDIs and the communities and their being, their being able to support the communities they serve...but we did *not* anticipate what has actually occurred, which is for us, you know, the real magic of this partnership is really the learning that Citi's gotten from being able to work with banks like Optus and Dom's team to really understand the challenges of community banking.

Citi's is not a big retail banking franchise, right? We're in a few states around the country. We're more of a global bank. But, you know, our mission, our ability, particularly if you take something like affordable housing. Citi, despite not being one of the largest retail banks in the country, we're the largest affordable housing lender in the country. So, you know, our tentacles, our ability to help drive investment and opportunity into communities is important but the other part of that magic actually, believe it or not, is from our clients, from our employees. And Dom mentioned our ability to help attract investment but I've got to tell you something, we grossly underestimated the power of this work with

our employees and how, as a big, globally diverse financial institution, how impactful it has really been for our employees to say, hey, you know what, we're doing some really cool stuff, right? And if you peel that onion back a little bit, it supports retainment, enrichment and things like that that are important for employees...people who work...

**BRIAN SULLIVAN:** ... really at *any* institution.

**HAROLD BUTLER:** ...at any institution, right. And so that ... hey, that was a special little nugget we didn't anticipate on. And then, you know, we meet with clients all the time, right? And this is another special thing to be able to have clients say, "Hey, help us to do what you do...help us to get involved and to change the way we look. It's just good business.

**BRIAN SULLIVAN:** Now, you mentioned that that all of this may have been an outgrowth it... or at least this push...this recent push from the death of George Floyd. Are either of you concerned that this is a sustainable...should we call this a movement? I don't know if that's too strong a word, but let's hope not.

**HAROLD BUTLER:** Well, I can tell you it's not a moment. So I definitely use the word 'movement.' And, you know, I think there has been some retrenchment in this space at large around, you know, the attack on DE&I, which is unfortunate. But this is the reason why whenever I talk about this topic, which I'm very passionate about and believe in and I'm very thankful that Citi is so supportive, is the more we talk about it, the more we continue to engage and do the things that are necessary to support underrepresented, underinvested communities around the country. The ball is rolling right down that proverbial hill and sure, I think people are throwing darts at in there. They're misrepresenting or maybe they just don't understand in some cases that this isn't about DE&I.

**BRIAN SULLIVAN:** This is for many reasons a business decision as well.

**HAROLD BUTLER:** Absolutely. It's very good for business. Absolutely.

**BRIAN SULLIVAN:** Okay. Well, Dom, you're a member of the FDIC's Community Bank Advisory Committee. What advice do you give banks like yours in terms of how they might partner with banks like Harold's?

**DOMINIK MJARTAN:** I think it's essential to their long-term viability to partner so I'm a strong advocate really within the group of MDIs and CDFIs to be very intentional about building those partnerships. And the work that the FDIC does, quite frankly, is a huge catalyst for that. Right? The work that that FDIC team does to promote these collaborations and partnerships has helped. I'll give you an example. Just today, we're closing on a significant deposit from one of the institutions that actually Betty and the FDIC introduced us to. So part of that collaboration is, I think, essential to survival. And the reason I'm saying that, we've seen over the last 30 or 40 years a dramatic consolidation of financial institutions, particularly community financial institutions. I'm gravely concerned about the impact on minority businesses and small businesses in our communities, because those are the ones that those community institutions serve, which is why it's so impressive that the entire top of the house at Citibank, which, you know, we're sitting here with one of their leaders, they understand that those

partnerships are critical to serving those customers because larger financial institutions are not equipped as well to get deep into those communities, not because they don't care. We're sitting here so we know they care. We know they want to. But they also understand that work is better done by diverse financial institutions. So I think I would encourage and I do encourage vocally all these diverse financial institutions to build strong partnerships, not just in their own interests, but in the interest of the communities they serve.

**BRIAN SULLIVAN:** So, Harold, when you speak with your counterpart banks, the larger institutions out there and you have a moment to tell them about your work, do you offer any advice? What do you say?

**HAROLD BUTLER:** Well, I mean, the first thing I say is this is not about competition. This is about doing things as a large financial institution that can actually make an impact. Right. And that, you know, I think one size certainly doesn't fit all...all banks won't be able to do the things that we do and vice versa, but I think what's important is making an effort to do it differently, right? So I sort of dare to be different. And to, you know, to think about it in from a larger viewpoint, a larger lens and how ultimately it can impact me. I have spoken to many banks, large, midsize and large banks and, you know, in some cases it's not easy, I understand. But I do think it comes down to the commitment that firms make. And Dom said it right. I'm very fortunate to have such amazing support at the top of the house at Citi. I think that's fairly unique. I mean, DIFG, the Diverse Financial Institutions Group, as far as I know, is only one of its kind on Wall Street that is actually is focused the way we are. We're in the business...we're in the markets business...not philanthropic, that's important, but that's not what we do. We're really pitted against driving opportunities which are mutually beneficial for all parties, to include clients.

**DOMINIK MJARTAN:** I want to add to that just a very couple of very tangible examples. Not going to name any names, but, you know, Citi has also, like I mentioned, led the way for some of the other larger institutions. And just this month alone, we've closed a seven-figure investment from one of those institutions that Herold introduced us to. But not only did they introduce them to us, when they needed technical assistance to figure out how to actually execute on those investments, they worked with Citi's team to do it. So that being a catalyst and, you know, could be, one could take a position, look, we've piloted it, we've developed it...this is our secret sauce...we want to be the only one doing this work. But probably month doesn't go by where I don't refer one of our potential investors to Harold's team to... can you all please help them figure out how you did what you did for Optus Bank?

**BRIAN SULLIVAN:** Really? So in this space there's, there's no proprietary, you know, feeling that this is mine and you can't have it.

**HAROLD BUTLER:** Well it's not supposed to be...now maybe some feel that way. We certainly don't feel that way. And at the end of the day, I mean when the MDI banking community wins, we all win, right? And you know, if we spend, I think, more time thinking about how to enrich the bank's ability, the MDI banks' ability and the communities they serve, then we add more people to the economic engine, right? Which uplifts the GDP. So, there's tremendous upside and benefit. And we have to keep talking about that. The fact that we're in this amazing room at the FDIC, I think is quite extraordinary for many reasons. But the primary is that we're continuing the dialog and how important this really is. And I

think, especially now, that, as we mentioned earlier, things are under attack the way they are, we got to keep it front and center. Otherwise, you know, we'll lose momentum and that'd be a shame.

**BRIAN SULLIVAN:** Well, closing thoughts from either of you? Dom, we'll speak with you about the future and the power of these partnerships.

**DOMINIK MJARTAN:** I do believe that we have, together with the help of the FDIC and the MDI/CDFI leadership at the FDIC and Harold and Citibank and a lot of the other institutions...including the National Bankers Association...I think we have created a movement out of these partnerships.

And just as any movement, those movements are going to struggle over time. We're facing some headwinds today. But I do believe that my fear two or three years ago that it was, this was a moment that was going to end is over. I feel very good that we're actually on the brink of sustaining that movement and frankly, this work that you're doing here, just doing a podcast, is part of continuing that movement to keep it visible, keep it forefront. We're sitting here in Washington, D.C., just a few steps from the White House. There's something wonderful about that.

**BRIAN SULLIVAN:** And Harold, how about you closing thoughts?

**HAROLD BUTLER:** Well, I would just say first of all, I thank the FDIC for doing this. I think this is incredibly important and I applaud the work that you're doing here. And, you know, I would just say that, you know, every day I get out of bed well, maybe not every day, but most days I get out of bed and I get really excited about this work because I see the end game and I see the end game when we the more work that we do in the and how it will manifest itself into making this country a better country, right? Helping us to erase food deserts and help increase homeownership and help communities feel safe. The financial institutions are the heartbeat of communities. Right. And just like the heart in our bodies, if the blood isn't pumping, we don't have life. And that's why this is important, right, is to make sure that the heart is strong in the communities and where it does not exist, we need to help it get there right, so that we can increase investment and opportunities in those communities. Because like I said before, you know, with a continued focus...a rising tide will float all the boats.

**BRIAN SULLIVAN:** Well, Harold Butler, Managing Director and the head of Citi's Diverse Financial Institutions Group... and Dominik Mjartan of Optus Bank in Columbia, South Carolina, thank you both for joining us on the FDIC podcast.

**HAROLD BUTLER:** Thank you.

**DOMINIK MYARTEN** Thank you so much.