

FDIC Advisory Committee on Community Banking

July 28, 2020

Minority Depository Institutions Subcommittee



Purpose of the FDIC Policy Statement

- Signals FDIC Board level commitment to supporting the five statutory goals for minority depository institutions (MDIs).
- Provides framework for the MDI Program across the agency.

Primary Updates

Revisions reflect the FDIC's strengthened commitment to and engagement with MDIs and goals of preserving and promoting MDIs.

- Describes engagement activities with MDIs across the organization.
- Defines Technical Assistance, Outreach, and Education and Training.
- References the MDI Subcommittee of the Advisory Committee on Community Banking (CBAC).
- Requires measurement of FDIC MDI Program effectiveness.
- Reiterates FDIC's examination approach and how considerations for an institution's business model are made relative to examination standards.

Policy Statement Regarding Minority Depository Institutions

FDIC Engagement with MDIs

- **Washington Office staff**
 - Maintains communication with MDI trade associations and MDIs.
 - Manages FDIC MDI Subcommittee and other national initiatives.
- **Regional Office staff**
 - Responds to questions or directs inquiries to the appropriate FDIC office or staff member with expertise on the subject for response.
 - Invites MDI board and management to meet with FDIC regional management annually.
 - Hosts regional roundtables.
- **Field Office staff**
 - Serves as a significant resource to MDIs by readily answering examination related questions and explaining regulatory requirements.

Policy Statement Regarding Minority Depository Institutions

Definitions

- Policy Statement provides definitions of key support activities provided by the FDIC for MDIs. The Policy Statement also provides clarification on the goals of these activities:
 - Technical Assistance;
 - Outreach; and
 - Education and Training.

FDIC MDI Subcommittee

- Proposed Policy Statement highlights maintaining the MDI Subcommittee and provides the following Subcommittee goals:
 - Serves as source of feedback on FDIC strategies to fulfill statutory goals to preserve and promote minority depository institutions.
 - Makes recommendations or offers ideas to the CBAC for consideration and presentation to the FDIC.
 - Provides a platform for MDIs to promote collaboration, partnerships, and best practices.
 - Identifies ways to highlight the work of MDIs in their communities.

Measuring MDI Program Effectiveness

- The National Director and the regional office staff will routinely solicit feedback from MDIs to assess the effectiveness of the FDIC's technical assistance, outreach, and training and education, efforts and the MDI Program in general.
- The FDIC will track instances of technical assistance, outreach, and training and education and solicit feedback on the effectiveness of these activities by administering periodic surveys and holding discussions with bank management.

Policy Statement Regarding Minority Depository Institutions

Examination Approach

- All examinations must be conducted within the parameters of outstanding guidance.
- Examiners consistently measure the risk an institution poses to the FDIC's deposit insurance fund.
- Examiners recognize the distinctive characteristics and differences in core objectives of each financial institution.
- Institutions must properly manage risks and have appropriate policies, processes, or practices in place that management follows and uses.
- Peer comparison data are not included in the rating systems.
- Rating systems are designed to reflect an assessment of the individual institution, including its size and sophistication, the nature and complexity of its business activities, and risk profile.

Policy Statement Regarding Minority Depository Institutions

Next Steps

- Present proposed Policy Statement to CBAC.
- Submit proposed Policy Statement to the FDIC Board for its consideration.
- If approved, publish in the *Federal Register* for public comment (60 days).

5000 - Statements of Policy

POLICY STATEMENT REGARDING MINORITY DEPOSITORY INSTITUTIONS

~~Minority depository institutions often promote the economic viability of minority and under-served communities.~~ The FDIC has long recognized the importance of minority depository institutions in the financial system and their unique role in promoting the economic viability of minority and under-served communities. The FDIC ~~and has~~ historically ~~taken steps~~ implemented programs to preserve and promote ~~preserve and encourage minority ownership of insured these~~ financial institutions. This Policy Statement describes the framework the FDIC has put into place and the initiatives the FDIC will undertake to fulfill its statutory goals with respect to minority depository institutions (MDI Program).

Statutory Framework

In August 1989, Congress enacted the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"). Section 308 of FIRREA established the following goals:

- Preserve the number of minority depository institutions;
- Preserve the minority character in cases of merger or acquisition;
- Provide technical assistance to prevent insolvency of institutions not now insolvent;
- Promote and encourage creation of new minority depository institutions; and
- Provide for training, technical assistance, and educational programs.

Definition

Section 308 of FIRREA defines "minority depository institution" as any Federally insured depository institution where 51 percent or more of the voting stock is owned by one or more "socially and economically disadvantaged individuals." "Minority" as defined by Section 308 of FIRREA means any "Black American, ~~Asian-Native~~ American, Hispanic American, or ~~Native-Asian~~ American." ~~Section 308 of FIRREA defines "minority depository institution" as any Federally insured depository institution where 51 percent or more of the voting stock is owned by one or more "socially and economically disadvantaged individuals."~~ ~~Given the ambiguous nature of the phrase "socially and economically disadvantaged individuals,"~~ Therefore, for the purposes of this Policy Statement, "minority depository institution" is defined as any Federally insured depository institution where 51 percent or more of the voting stock is owned by minority individuals. This includes institutions collectively owned by a group of minority individuals, such as a Native American Tribe. Ownership must be by U.S. citizens or permanent legal U.S. residents to be counted in determining minority ownership. In addition to the institutions that meet the ownership test, for the purposes of this Policy Statement, institutions will be considered minority depository institutions if a majority of the Board of Directors is minority and the community that the institution serves is predominantly minority.

Identification of Minority Depository Institutions

To ensure that all minority depository institutions are able to participate in the MDI pP program, the FDIC will maintain a list of Federally insured minority depository institutions. Institutions that are not already identified as minority depository institutions can request to be designated as such by certifying that they yy meet the above definition. For institutions supervised directly by the FDIC, ~~our~~ examiners will review the appropriateness of their institution being inclusion on the list during the examination process. In addition, case managers in ~~our~~ regional offices will note changes to the list while processing deposit insurance applications, merger applications, change of control notices, or failures of minority depository institutions. The FDIC will work closely with the other Federal regulatory agencies to ensure that institutions not directly supervised by the FDIC are accurately captured on ~~our~~ the list. In addition, the FDIC will periodically provide the list to relevant trade associations and seek input regarding ~~its~~ the accuracy of the

list. Inclusion in the FDIC's MDI Program is voluntary. Any minority depository institution not wishing to participate in this ~~program~~Program will be removed from the official list upon request.

Organizational Structure

The FDIC has designated a national ~~coordinator~~director for the FDIC's ~~minority depository institutions~~MDI Program in the Washington Office and a regional coordinator in each Regional Office. The national ~~coordinator~~director will consult with officials from the following FDIC Divisions to ensure appropriate personnel are involved and resources are made available with regard to MDI Program initiatives: Division of Risk Management Supervision, Division of Depositor and Consumer Protection, Division of Resolutions and Receiverships, Division of Insurance and Research, Legal Division, and the Office of Diversity and Economic Opportunity~~Office of Minority and Women Inclusion, the Legal Division, and the Division of Resolutions and Receiverships to ensure appropriate personnel are involved in program initiatives.~~ The national director will also consult with other organizations within the FDIC as appropriate.

As the primary Federal regulator for State nonmember banks and State savings associations, the FDIC will focus its efforts on minority depository institutions with those charters. However, the national director will meet periodically with the other Federal banking regulators to discuss each agency's outreach efforts, to share ideas, and to identify opportunities where the agencies can work together to assist minority depository institutions. Representatives of other divisions and offices may participate in these meetings.

Engagement with Minority Depository Institutions

The FDIC's MDI Program will provide for continual engagement with minority depository institutions through ongoing interaction with the Washington, Regional, and Field Office staff. This interaction includes providing technical assistance to share information and expertise on supervisory topics, outreach initiatives to provide opportunities for open dialogue with senior FDIC staff, and training initiatives to offer opportunities to gain additional knowledge about specific regulatory requirements. Further, trade associations affiliated with minority depository institutions serve as a significant resource in identifying specific interests or concerns for those institutions.

The national ~~coordinator~~director will regularly contact ~~the various~~ minority depository institution trade associations to seek feedback on the FDIC's efforts under ~~this the MDI p~~Program, discuss possible training initiatives, and explore options for ~~preserving~~promoting and ~~promoting~~preserving minority ~~ownership of~~ depository institutions. The national director and the regional coordinators also will solicit information from trade associations and other organizations about groups that may be interested in establishing new minority depository institutions. FDIC representatives will be available to address such groups to discuss the application process, the requirements of becoming FDIC insured, and the various programs supporting minority depository institutions. The regional coordinators will contact all new minority state nonmember banks and state savings associations identified through insurance applications, merger applications, or change in control notices to familiarize the institutions with the resources available through the MDI Program.

Technical Assistance

Technical assistance, as defined by the FDIC's MDI Program, is individual assistance that a regulator will provide to a minority depository institution in response to an institution's request for assistance in understanding supervisory topics or findings. At any time, the FDIC will share information and expertise with bank management on various topics including, but not limited to, understanding bank regulations, FDIC policies, examination procedures, accounting practices, supervisory recommendations, risk management procedures, and compliance management procedures. In providing technical assistance, FDIC staff will not actually perform tasks expected of an institution's management or employees. For example, FDIC staff may explain Call Report instructions as they relate to specific accounts, but will not assist in preparing an institution's Call Report. FDIC staff may provide information on community reinvestment opportunities, but will not recommend a specific transaction.

An institution can contact its field office representatives, case manager, or review examiner to request technical assistance. In addition, the regional coordinators and the institution's assigned case manager and review examiner are knowledgeable about minority bank issues and will be available to answer questions or to direct inquiries to the appropriate FDIC office or staff member with expertise on the subject for response. Case managers can explain the application process and the type of analysis and information required for different applications. Field office representatives also serve as a significant resource to minority depository institutions by readily addressing examination related questions and explaining regulatory requirements. Other staff members within the FDIC with expertise in various regulatory topics will also be available to share knowledge to assist minority depository institutions in complying with regulations or implementing supervisory recommendations.

During examinations, the FDIC expects examiners to fully explain supervisory recommendations and offer to help management understand satisfactory methods to address such recommendations. At the conclusion of each examination of a minority depository institution directly supervised by the FDIC, the FDIC will be available to return to the institution to provide technical assistance by reviewing areas of concern or topics of interest to the institution. The purpose of return visits is to assist management in understanding and implementing examination recommendations, not to identify new problems.

Technical assistance is a tool to provide on-going support to institutions in an effort to ensure timely implementation of recommendations, full understanding of regulatory requirements, and in some instances, the viability of the institution. Technical assistance is not a supervisory activity and is not intended to present additional regulatory burden. Further, examination teams will not view requests for, or acceptance of, technical assistance negatively when evaluating institution performance or assigning ratings.

Outreach

Outreach, as defined by the FDIC's MDI Program, consists of FDIC representatives meeting with financial institutions with a primary focus of building relationships and open communication and providing information and resources. Outreach is generally offered by the FDIC and can include meetings between financial institution management and senior FDIC management.

As the primary Federal regulator for State nonmember banks, the FDIC will focus its efforts on these institutions. However, the national coordinator will meet with the other Federal regulators periodically to discuss each agency's outreach efforts, to share the ideas, and to identify opportunities where the agencies can work together to assist minority depository institutions. Representatives of other divisions and offices may participate in these meetings.

The FDIC maintains an MDI Subcommittee of its Advisory Committee on Community Banking (CBAC) comprised of executives of minority depository institutions. The MDI Subcommittee serves as a source of feedback on FDIC strategies to fulfill statutory goals to preserve and promote minority depository institutions. The MDI Subcommittee may also make recommendations or offer ideas to the CBAC for consideration and presentation to the FDIC. The MDI Subcommittee provides a platform for minority depository institutions to promote collaboration, partnerships, and best practices. The Subcommittee will also identify ways to highlight the work of minority depository institutions in their communities.

Executives and staff in the FDIC's regional offices will communicate regularly with each minority depository institution to outline the FDIC's efforts to promote and preserve minority depository institutions; will offer annually to have a member of regional management meet with the institution's board of directors to discuss issues of interest, including through roundtable discussions and training sessions; and will seek input regarding any training or other technical assistance the institution may desire.

The FDIC will explore opportunities to facilitate collaboration and partnering initiatives among minority depository institutions or between minority depository institutions and non-minority depository institutions.

The FDIC recognizes that by facilitating these collaborative relationships, institutions can have opportunities to better meet the needs of their communities.

~~The regional coordinators are knowledgeable about minority bank issues and are available to answer questions or to direct inquiries to the appropriate office. However, each FDIC-insured institution has previously been assigned a specific case manager in their regional office who will continue to be the institution's central point of contact at the FDIC. At least annually, regional coordinators will contact each minority depository institution directly supervised by the FDIC in their respective regions to discuss the FDIC's efforts to promote and preserve minority ownership of financial institutions and to offer to have a member of regional management meet with the institution's board of directors to discuss issues of interest. Finally, the regional coordinators will contact all new minority State nonmember banks identified through insurance applications, merger applications, or change in control notices to familiarize the institutions with the FDIC's minority depository institution program.~~

Training and Educational Programs

Training and educational programs, as defined by the FDIC's MDI program, consists of instruction designed to impart proficiency or skills related to a particular job, process, or regulatory policy. The FDIC will work with other banking regulatory agencies and trade associations representing minority depository institutions to periodically assess the need for, and provide for, training and educational opportunities. The FDIC will partner with other agencies and trade associations to offer training programs. This training and education can be provided in person, through webinars or conference calls, or in a conference setting.

Reporting

The regional coordinators will report regional office activities related to the MDI Program to the national director quarterly. The national director will develop a comprehensive report on all MDI Program activities and submit the report quarterly to the Chairman. The FDIC's efforts to preserve and promote minority depository institutions will also be highlighted in the FDIC's Annual Report and the Annual Report to Congress on the Preservation and Promotion of Minority Depository Institutions pursuant to Section 367 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and Section 308 of FIRREA.

Measuring Program Effectiveness

The national director and the regional office staff will routinely solicit feedback from minority depository institutions to assess the effectiveness of the FDIC's technical assistance, outreach, and training/education efforts and the MDI Program in general. The FDIC will track instances of technical assistance, outreach, and training and education and solicit feedback on the effectiveness of these activities by administering periodic surveys and holding discussions with bank management.

Examinations

All insured institutions must be operated in a safe and sound manner, in accordance with FDIC's regulations. Likewise, all examinations must be conducted within the parameters of FDIC examination policies and should consistently measure the risk an institution poses to the FDIC's deposit insurance fund. Notwithstanding, and consistent with the Uniform Financial Institutions Rating System (UFIRS)¹

¹ The UFIRS takes into consideration certain financial, managerial, and compliance factors that are common to all institutions. Compliance with laws and regulations is considered under the management component. Specialty examination findings (Compliance, Community Reinvestment Act, Government Security Dealers, Information Technology, Municipal Security Dealers, Transfer Agent, and Trust (or Fiduciary)) and the ratings assigned to those areas are taken into consideration, as appropriate, when assigning a composite rating and component ratings under UFIRS.

and the Uniform Interagency Consumer Compliance Rating System (UICCR)², examiners are expected to recognize the distinctive characteristics and differences in core objectives of each financial institution and to consider those unique factors when evaluating an institution's financial condition and risk management practices.

Under the UFIRS and UICCR, each financial institution is assigned a composite rating based on an evaluation of specific components, which are also rated. For UFIRS, these component ratings reflect an institution's capital adequacy, asset quality, management capabilities, earnings sufficiency, liquidity position, and sensitivity to market risk (commonly referred to as the CAMELS ratings). Likewise, the UICCR is organized under broad components that assess the institution's board and management oversight, compliance program, and violations of law and consumer harm. The uniform rating systems and evaluation and rating criteria are specific to the examination types performed. Further, the assignment of the rating is based solely on the subject institution's individual performance under the specific components.

Management practices, particularly as they relate to risk management, vary considerably among financial institutions depending on size and sophistication, the nature and complexity of business activities, and risk profile. Each institution must properly manage risks and have appropriate policies, processes, or practices in place that management follows and uses. Activities undertaken in a less complex institution engaging in less sophisticated risk-taking activities may only need basic management and control systems compared to the detailed and formalized systems and controls used for the broader and more complex range of activities undertaken at a larger and more complex institution.

Peer comparison data are not included in the rating systems. The principal reason is to avoid over reliance on statistical comparisons to justify the component rating being assigned. This is very important when evaluating minority depository institutions due to their unique characteristics. For example, many minority depository institutions were established to serve an otherwise under-served market. High profitability may not be as essential to the organizers and shareholders of the institution. Instead, community development, improving consumer services, and promoting banking services to the unbanked or under-banked segment of its community may drive many of the organization's decisions. The UFIRS allows for consideration of the characteristics by considering not only the level of an institution's earnings, but also the trend and stability of earnings, the ability to provide for adequate capital, the quality and sources of earnings, and the adequacy of budgeting systems.

Examiners are instructed to consider all relevant factors when assigning a component rating. The rating systems are designed to reflect an assessment of the individual institution, including its size and sophistication, the nature and complexity of its business activities, and risk profile.³

Technical Assistance

~~The FDIC can provide technical assistance to minority depository institutions in several ways on a variety of issues. An institution can contact its case manager for assistance in understanding bank regulations, FDIC policies, examination procedures, etc. Case managers can also explain the application process and the type of analysis and information required for different applications. During examinations, examiners are expected to fully explain any supervisory recommendations and should offer to help management understand satisfactory methods to address such recommendations.~~

² UICCR is a supervisory policy for evaluating financial institutions' adherence to consumer compliance requirements. It provides a general framework for evaluating compliance assessment factors in order to assign a consumer compliance rating to each federally regulated financial institution. The consumer compliance rating reflects the effectiveness of an institution's CMS to ensure compliance with consumer protection laws and regulations and reduce the risk of harm to consumers.

³ Peer data are used in specific examination procedures for performance testing. For example, peer data are used to determine whether an insured depository institution serves the credit needs of its community as required under the Community Reinvestment Act and its implementing regulations.

~~At the conclusion of each examination of a minority depository institution directly supervised by the FDIC, the FDIC will offer to have representatives return to the institution approximately 90 to 120 days later to review areas of concern or topics of interest to the institution. The purpose of the return visits will be to assist management in understanding and implementing examination recommendations, not to identify new problems. The level of technical assistance provided should be commensurate with the issues facing the institution. As such, institutions where more examination recommendations are made would generally be offered more detailed technical assistance in implementing those recommendations.~~

~~FDIC employees can advise on risk management procedures, accounting practices, recruiting techniques, etc., but will not actually perform tasks expected of an institution's management or employees. For example, FDIC employees 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, FDIC employees may provide information on community reinvestment opportunities, but will not recommend a specific transaction.~~

Training and Educational Programs

~~The FDIC will work with trade associations representing minority depository institutions and other regulatory agencies to periodically assess the need for, and provide for, training opportunities and educational opportunities. We will partner with the trade associations to offer training programs during their annual conferences and other regional meetings.~~

~~The national coordinator and the regional coordinators will also work with trade associations and other organizations to attempt to identify groups that may be interested in establishing new minority depository institutions. FDIC representatives will be available to address such groups to discuss the application process, the requirements of becoming FDIC insured, and the various programs geared toward minority depository institutions.~~

Failing Institutions

The FDIC will attempt to preserve the minority character of failing institutions during the resolution process. In the event of a potential failure of a minority depository institution, the Division of Resolutions and Receiverships will contact all minority depository institutions nationwide that qualify to bid on failing institutions. The Division of Resolutions and Receiverships will solicit qualified minority depository institutions' interest in the failing institution, discuss the bidding process, and ~~upon request,~~ offer to provide technical assistance regarding completion of the bid forms. In addition, the Division of Resolutions and Receiverships, with assistance from the ~~Office of Diversity and Economic Opportunity~~Office of Minority and Women Inclusion, will maintain a list of minority individuals and nonbank entities that have expressed an interest in acquiring failing minority-owned depository institutions and have been pre-approved by the Division of Risk Management Supervision and the chartering authority for access to the FDIC's virtual data room for online due diligence.⁴ Trade associations that represent minority depository institutions will also be contacted periodically to help identify possible interested parties.

Reporting

~~The regional coordinators will report their region's activities related to this Policy Statement to the national coordinator quarterly. The national coordinator will compile the results of the regional offices' reports and submit a quarterly summary to the Office of the Chairman. Our efforts to preserve and promote minority ownership of depository institutions will also be highlighted in the FDIC's Annual Report.~~

Internet Site

⁴ Investors should also reference the FDIC's Final Statement of Policy on Qualifications for Failed Bank Acquisitions at <https://www.fdic.gov/regulations/laws/rules/5000-850.html#fdic5000qualforfailedbank>.

The FDIC will ~~create-maintain~~ a ~~Webpage-website⁵ on its Internet site (www.fdic.gov)~~ to promote the ~~Minority Depository Institution~~MDI Program. Among other things, the ~~page-website~~ will describe the ~~tools and resources available under the~~ program. ~~The website will and~~include the name, phone number, and email address of the national ~~coordinator-director, and~~each regional coordinator, ~~and additional staff~~. The ~~page-website~~ will also contain links to the list of minority depository institutions, pertinent trade associations, and other ~~regulatory-Federal~~ agency programs. ~~We-The FDIC~~ will also explore the feasibility and usefulness of posting other items to the page, such as statistical information and comparative data for minority depository institutions. Visitors will have the opportunity to provide feedback regarding the FDIC's program and the usefulness of the ~~Webpage-website~~.

By order of the Board of Directors, ~~April 9, 2002~~.

~~[Source: 67 Fed. Reg. 18620, April 16, 2002]~~

⁵ <https://www.fdic.gov/regulations/resources/minority/index.html>

5000 - Statements of Policy

POLICY STATEMENT REGARDING MINORITY DEPOSITORY INSTITUTIONS

The FDIC has long recognized the importance of minority depository institutions in the financial system and their unique role in promoting the economic viability of minority and under-served communities. The FDIC has historically implemented programs to preserve and promote these financial institutions. This Policy Statement describes the framework the FDIC has put into place and the initiatives the FDIC will undertake to fulfill its statutory goals with respect to minority depository institutions (MDI Program).

Statutory Framework

In August 1989, Congress enacted the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Section 308 of FIRREA established the following goals:

- Preserve the number of minority depository institutions;
- Preserve the minority character in cases of merger or acquisition;
- Provide technical assistance to prevent insolvency of institutions not now insolvent;
- Promote and encourage creation of new minority depository institutions; and
- Provide for training, technical assistance, and educational programs.

Definition

Section 308 of FIRREA defines "minority depository institution" as any Federally insured depository institution where 51 percent or more of the voting stock is owned by one or more "socially and economically disadvantaged individuals." "Minority" as defined by Section 308 of FIRREA means any "Black American, Native American, Hispanic American, or Asian American." Therefore, for the purposes of this Policy Statement, "minority depository institution" is defined as any Federally insured depository institution where 51 percent or more of the voting stock is owned by minority individuals. This includes institutions collectively owned by a group of minority individuals, such as a Native American Tribe. Ownership must be by U.S. citizens or permanent legal U.S. residents to be counted in determining minority ownership. In addition to the institutions that meet the ownership test, for the purposes of this Policy Statement, institutions will be considered minority depository institutions if a majority of the Board of Directors is minority and the community that the institution serves is predominantly minority.

Identification of Minority Depository Institutions

To ensure that all minority depository institutions are able to participate in the MDI Program, the FDIC will maintain a list of Federally insured minority depository institutions. Institutions that are not already identified as minority depository institutions can request to be designated as such by certifying that they meet the above definition. For institutions supervised directly by the FDIC, examiners will review the appropriateness of their inclusion on the list during the examination process. In addition, case managers in regional offices will note changes to the list while processing deposit insurance applications, merger applications, change of control notices, or failures of minority depository institutions. The FDIC will work closely with the other Federal regulatory agencies to ensure that institutions not directly supervised by the FDIC are accurately captured on the list. In addition, the FDIC will periodically provide the list to relevant trade associations and seek input regarding the accuracy of the list. Inclusion in the FDIC's MDI Program is voluntary. Any minority depository institution not wishing to participate in this Program will be removed from the official list upon request.

Organizational Structure

The FDIC has designated a national director for the FDIC's MDI Program in the Washington Office and a regional coordinator in each Regional Office. The national director will consult with officials from the following FDIC Divisions to ensure appropriate personnel are involved and resources are made available with regard to MDI Program initiatives: Division of Risk Management Supervision, Division of Depositor

and Consumer Protection, Division of Resolutions and Receiverships, Division of Insurance and Research, Legal Division, and the Office of Minority and Women Inclusion. The national director will also consult with other organizations within the FDIC as appropriate.

As the primary Federal regulator for State nonmember banks and State savings associations, the FDIC will focus its efforts on minority depository institutions with those charters. However, the national director will meet periodically with the other Federal banking regulators to discuss each agency's outreach efforts, to share ideas, and to identify opportunities where the agencies can work together to assist minority depository institutions. Representatives of other divisions and offices may participate in these meetings.

Engagement with Minority Depository Institutions

The FDIC's MDI Program will provide for continual engagement with minority depository institutions through ongoing interaction with the Washington, Regional, and Field Office staff. This interaction includes providing technical assistance to share information and expertise on supervisory topics, outreach initiatives to provide opportunities for open dialogue with senior FDIC staff, and training initiatives to offer opportunities to gain additional knowledge about specific regulatory requirements. Further, trade associations affiliated with minority depository institutions serve as a significant resource in identifying specific interests or concerns for those institutions.

The national director will regularly contact minority depository institution trade associations to seek feedback on the FDIC's efforts under the MDI Program, discuss possible training initiatives, and explore options for promoting and preserving minority depository institutions. The national director and the regional coordinators also will solicit information from trade associations and other organizations about groups that may be interested in establishing new minority depository institutions. FDIC representatives will be available to address such groups to discuss the application process, the requirements of becoming FDIC insured, and the various programs supporting minority depository institutions. The regional coordinators will contact all new minority state nonmember banks and state savings associations identified through insurance applications, merger applications, or change in control notices to familiarize the institutions with the resources available through the MDI Program.

Technical Assistance

Technical assistance, as defined by the FDIC's MDI Program, is individual assistance that a regulator will provide to a minority depository institution in response to an institution's request for assistance in understanding supervisory topics or findings. At any time, the FDIC will share information and expertise with bank management on various topics including, but not limited to, understanding bank regulations, FDIC policies, examination procedures, accounting practices, supervisory recommendations, risk management procedures, and compliance management procedures. In providing technical assistance, FDIC staff will not actually perform tasks expected of an institution's management or employees. For example, FDIC staff may explain Call Report instructions as they relate to specific accounts, but will not assist in preparing an institution's Call Report. FDIC staff may provide information on community reinvestment opportunities, but will not recommend a specific transaction.

An institution can contact its field office representatives, case manager, or review examiner to request technical assistance. In addition, the regional coordinators and the institution's assigned case manager and review examiner are knowledgeable about minority bank issues and are available to answer questions or to direct inquiries to the appropriate FDIC office or staff member with expertise on the subject for response. Case managers can explain the application process and the type of analysis and information required for different applications. Field office representatives also serve as a significant resource to minority depository institutions by readily answering examination related questions and explaining regulatory requirements. Other staff members within the FDIC with expertise in various regulatory topics will also be available to share knowledge to assist minority depository institutions in complying with regulations or implementing supervisory recommendations.

During examinations, the FDIC expects examiners to fully explain supervisory recommendations and offer to help management understand satisfactory methods to address such recommendations. At the conclusion of each examination of a minority depository institution directly supervised by the FDIC, the FDIC will be available to return to the institution to provide technical assistance by reviewing areas of concern or topics of interest to the institution. The purpose of return visits is to assist management in understanding and implementing examination recommendations, not to identify new problems.

Technical assistance is a tool to provide on-going support to institutions in an effort to ensure timely implementation of recommendations, full understanding of regulatory requirements, and in some instances, the viability of the institution. Technical assistance is not a supervisory activity and is not intended to present additional regulatory burden. Further, examination teams will not view requests for, or acceptance of, technical assistance negatively when evaluating institution performance or assigning ratings.

Outreach

Outreach, as defined by the FDIC's MDI Program, consists of FDIC representatives meeting with financial institutions with a primary focus of building relationships and open communication and providing information and resources. Outreach is generally offered by the FDIC and can include meetings between financial institution management and senior FDIC management.

The FDIC maintains an MDI Subcommittee of its Advisory Committee on Community Banking (CBAC) comprised of executives of minority depository institutions. The MDI Subcommittee serves as a source of feedback on FDIC strategies to fulfill statutory goals to preserve and promote minority depository institutions. The MDI Subcommittee may also make recommendations or offer ideas to the CBAC for consideration and presentation to the FDIC. The MDI Subcommittee provides a platform for minority depository institutions to promote collaboration, partnerships, and best practices. The Subcommittee will also identify ways to highlight the work of minority depository institutions in their communities.

Executives and staff in the FDIC's regional offices will communicate regularly with each minority depository institution to outline the FDIC's efforts to promote and preserve minority depository institutions; will offer annually to have a member of regional management meet with the institution's board of directors to discuss issues of interest, including through roundtable discussions and training sessions; and will seek input regarding any training or other technical assistance the institution may desire.

The FDIC will explore opportunities to facilitate collaboration and partnering initiatives among minority depository institutions or between minority depository institutions and non-minority depository institutions. The FDIC recognizes that by facilitating these collaborative relationships, institutions can have opportunities to better meet the needs of their communities.

Training and Educational Programs

Training and educational programs, as defined by the FDIC's MDI program, consists of instruction designed to impart proficiency or skills related to a particular job, process, or regulatory policy. The FDIC will work with other banking regulatory agencies and trade associations representing minority depository institutions to periodically assess the need for, and provide for, training and educational opportunities. The FDIC will partner with other agencies and trade associations to offer training programs. This training and education can be provided in person, through webinars or conference calls, or in a conference setting.

Reporting

The regional coordinators will report regional office activities related to the MDI Program to the national director quarterly. The national director will develop a comprehensive report on all MDI Program activities and submit the report quarterly to the Chairman. The FDIC's efforts to preserve and promote minority depository institutions will also be highlighted in the FDIC's Annual Report and the Annual Report to

Congress on the Preservation and Promotion of Minority Depository Institutions pursuant to Section 367 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and Section 308 of FIRREA.

Measuring Program Effectiveness

The national director and the regional office staff will routinely solicit feedback from minority depository institutions to assess the effectiveness of the FDIC's technical assistance, outreach, and training/education efforts and the MDI Program in general. The FDIC will track instances of technical assistance, outreach, and training and education and solicit feedback on the effectiveness of these activities by administering periodic surveys and holding discussions with bank management.

Examinations

All insured institutions must be operated in a safe and sound manner, in accordance with FDIC's regulations. Likewise, all examinations must be conducted within the parameters of FDIC exam policies and should consistently measure the risk an institution poses to the FDIC's deposit insurance fund. Notwithstanding, and consistent with the Uniform Financial Institutions Rating System (UFIRS)¹ and the Uniform Interagency Consumer Compliance Rating System (UICCR)², examiners are expected to recognize the distinctive characteristics and differences in core objectives of each financial institution and to consider those unique factors when evaluating an institution's financial condition and risk management practices.

Under the UFIRS and UICCR, each financial institution is assigned a composite rating based on an evaluation of specific components, which are also rated. For UFIRS, these component ratings reflect an institution's capital adequacy, asset quality, management capabilities, earnings sufficiency, liquidity position, and sensitivity to market risk (commonly referred to as the CAMELS ratings). Likewise, the UICCR is organized under broad components that assess the institution's board and management oversight, compliance program, and violations of law and consumer harm. The uniform rating systems and evaluation and rating criteria are specific to the examination types performed. Further, the assignment of the rating is based solely on the subject institution's individual performance under the specific components.

Management practices, particularly as they relate to risk management, vary considerably among financial institutions depending on size and sophistication, the nature and complexity of business activities, and risk profile. Each institution must properly manage risks and have appropriate policies, processes, or practices in place that management follows and uses. Activities undertaken in a less complex institution engaging in less sophisticated risk-taking activities may only need basic management and control systems compared to the detailed and formalized systems and controls used for the broader and more complex range of activities undertaken at a larger and more complex institution.

Peer comparison data are not included in the rating systems. The principal reason is to avoid over reliance on statistical comparisons to justify the component rating being assigned. This is very important when evaluating minority depository institutions due to their unique characteristics. For example, many minority depository institutions were established to serve an otherwise under-served market. High profitability may not be as essential to the organizers and shareholders of the institution. Instead, community development, improving consumer services, and promoting banking services to the unbanked

¹ The UFIRS takes into consideration certain financial, managerial, and compliance factors that are common to all institutions. Compliance with laws and regulations is considered under the management component. Specialty examination findings (Compliance, Community Reinvestment Act, Government Security Dealers, Information Technology, Municipal Security Dealers, Transfer Agent, and Trust (or Fiduciary)) and the ratings assigned to those areas are taken into consideration, as appropriate, when assigning a composite rating and component ratings under UFIRS.

² UICCR is a supervisory policy for evaluating financial institutions' adherence to consumer compliance requirements. It provides a general framework for evaluating compliance assessment factors in order to assign a consumer compliance rating to each federally regulated financial institution. The consumer compliance rating reflects the effectiveness of an institution's CMS to ensure compliance with consumer protection laws and regulations and reduce the risk of harm to consumers.

or under-banked segment of its community may drive many of the organization's decisions. The UFIRS allows for consideration of the characteristics by considering not only the level of an institution's earnings, but also the trend and stability of earnings, the ability to provide for adequate capital, the quality and sources of earnings, and the adequacy of budgeting systems.

Examiners are instructed to consider all relevant factors when assigning a component rating. The rating systems are designed to reflect an assessment of the individual institution, including its size and sophistication, the nature and complexity of its business activities, and risk profile.³

Failing Institutions

The FDIC will attempt to preserve the minority character of failing institutions during the resolution process. In the event of a potential failure of a minority depository institution, the Division of Resolutions and Receiverships will contact all minority depository institutions nationwide that qualify to bid on failing institutions. The Division of Resolutions and Receiverships will solicit qualified minority depository institutions' interest in the failing institution, discuss the bidding process, and offer to provide technical assistance regarding completion of the bid forms. In addition, the Division of Resolutions and Receiverships, with assistance from the Office of Minority and Women Inclusion, will maintain a list of minority individuals and nonbank entities that have expressed an interest in acquiring failing minority depository institutions and have been pre-approved by the Division of Risk Management Supervision and the chartering authority for access to the FDIC's virtual data room for online due diligence.⁴

Internet Site

The FDIC will maintain a website⁵ to promote the MDI Program. Among other things, the website will describe the tools and resources available under the program. The website will include the name, phone number, and email address of the national director, each regional coordinator, and additional staff. The website will also contain links to the list of minority depository institutions, pertinent trade associations, and other Federal agency programs. The FDIC will also explore the feasibility and usefulness of posting other items to the page, such as statistical information and comparative data for minority depository institutions. Visitors will have the opportunity to provide feedback regarding the FDIC's program and the usefulness of the website.

By order of the Board of Directors.

³ Peer data are used in specific examination procedures for performance testing. For example, peer data are used to determine whether an insured depository institution serves the credit needs of its community as required under the Community Reinvestment Act and its implementing regulations.

⁴ Investors should also reference the FDIC's Final Statement of Policy on Qualifications for Failed Bank Acquisitions at <https://www.fdic.gov/regulations/laws/rules/5000-850.html#fdic5000qualforfailedbank>.

⁵ <https://www.fdic.gov/regulations/resources/minority/index.html>