



Attachment 1

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 and has historically taken steps to preserve and encourage minority ownership of insured financial institutions.

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

“Minority” as defined by Section 308 of FIRREA means any “Black American, Asian American, Hispanic American, or Native 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,” 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 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, our examiners will review

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the appropriateness of an institution being 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 list. In addition, the FDIC will periodically provide the list to relevant trade associations and seek input regarding its accuracy. Inclusion in the FDIC's minority depository institution 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 coordinator for the FDIC's minority depository institutions program in the Washington Office and a regional coordinator in each Regional Office. The national coordinator will consult with officials from the Office of Diversity and Economic Opportunity, the Legal Division, and the Division of Resolutions and Receiverships to ensure appropriate personnel are involved in program initiatives. The national coordinator will regularly contact the various minority depository institution trade associations to seek feedback on the FDIC's efforts under this program, discuss possible training initiatives, and explore options for preserving and promoting minority ownership of depository institutions. 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 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.

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,

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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.

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

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Resolutions and Receiverships, with assistance from the Office of Diversity and Economic Opportunity, will maintain a list of minority individuals and nonbank entities that have expressed an interest in acquiring failing minority-owned institutions. 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

The FDIC will create a Webpage on its Internet site (www.fdic.gov) to promote the Minority Depository Institution Program. Among other things, the page will describe the program and include the name, phone number, and email address of the national coordinator and each regional coordinator. The page will also contain links to the list of minority depository institutions, pertinent trade associations, and other regulatory agency programs. We 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.

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

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