Preservation and Promotion of Minority Depository Institutions

The Federal Deposit Insurance Corporation Report to Congress for 2018

Within the MDI sector, the financial performance of a small subset of institutions has been uneven. Generally, smaller MDIs and those serving low- and moderate-income communities, including both urban and rural markets, continue to face significant challenges, in part reflecting the continuing economic challenges faced by many of the communities they serve.

FDIC National Minority Depository Institutions Program

The FDIC's Minority Depository Institution Program ("MDI Program") is outlined in the FDIC's *Policy Statement Regarding Minority Depository Institutions* (see Attachment 1). In 2018, the FDIC appointed a new permanent, dedicated executive as National Director of Minority and Community Development Banking, reporting directly to the Directors of the Division of Risk Management Supervision and Division of Depositor and Consumer Protection to fully leverage resources and expertise in the two divisions. In addition, the FDIC created additional dedicated positions to support the program at headquarters. The FDIC also has designated MDI coordinators in each of its six regional offices.

The National Director provides overall direction and guidance, and ensures that appropriate resources across the agency are available for program initiatives. The FDIC's MDI Program is fully integrated into the supervision, consumer protection, insurance, and receivership business lines. The National Director works closely with MDIs and their 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 and management of depository institutions.

In carrying out this work, the FDIC meets regularly with its Federal banking agency colleagues to discuss outreach and training efforts, to share ideas, and to identify opportunities where the agencies can work together to assist MDIs. In addition, the FDIC coordinates with other Federal agencies that provide programs that can assist MDIs.

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

2018 Initiatives Supporting Minority Depository Institutions

Preservation of MDIs remains a high priority for the FDIC. In 2018, the FDIC continued to support MDI and Community Development Financial Institution (CDFI bank) industry-led strategies for success. These strategies include new business models and increased collaboration between MDIs, CDFI banks and other financial institutions.

During 2018, the FDIC led discussions with MDI bankers and its Advisory Committee on Community Banking (CBAC) about the FDIC's *Resource Guide for Collaboration with Minority Depository Institutions* (see Attachment 3). This guide, published in December 2017, encourages collaboration among MDIs and between MDIs and other institutions. The publication describes some of the ways that financial institutions, including community banks, can partner with MDIs to the benefit of all institutions involved, as well as the communities they serve. Both community banks and larger insured financial institutions have valuable incentives under the Community Reinvestment Act (CRA) to undertake ventures with MDIs, including capital investment and loan participations. In 2018, the FDIC began preparations to host roundtables and other events in 2019 that would enable MDIs to engage with potential collaboration partners.

The FDIC added additional minority bankers to its CBAC to bring more diverse perspectives and input to these discussions. In addition, the agency began updating its 2014 study, *Minority Depository Institutions: Structure, Performance, and Social Impact*, for publication in 2019. In support of its statutory goal to preserve the minority character in mergers and acquisitions, the FDIC hosted three outreach sessions and one webinar with MDI bankers to provide an overview of the process for bidding on failed minority banks, and to offer technical assistance to banks desiring to place a bid on a failed MDI franchise. The FDIC also began planning for the 2019 Interagency Minority Depository Institution and CDFI Bank Conference, which the FDIC will host in June 2019, in collaboration with the OCC and Federal Reserve.

Technical Assistance

The FDIC also continuously pursued efforts to improve communication and interaction with MDIs and to respond to the concerns of minority bankers in 2018. The agency maintains active outreach with MDI trade groups and offers to arrange annual meetings between FDIC regional management and each MDI's board of directors to discuss issues of interest. The FDIC routinely contacts MDIs to offer return visits by supervision staff and technical assistance following the conclusion of FDIC safety and soundness, compliance, CRA, and specialty examinations to help bank management understand and implement examination recommendations. These return visits, normally conducted within 90 to 120 days after the examination, are intended to provide useful recommendations or feedback for improving operations, not to identify new issues.

MDIs also may initiate contact with the FDIC to request technical assistance. The MDI page on the FDIC's *website* encourages, and provides contact information for, any MDI to request technical assistance from the FDIC at any time.

In 2018, the FDIC provided 149 individual technical assistance sessions on nearly 50 risk management and compliance topics, including:

- Accounting,
- Bank Secrecy Act and anti-money laundering,
- Community Reinvestment Act,
- Funding and liquidity,
- Information technology risk management and cybersecurity,
- Third-party oversight, and
- Troubled debt restructuring.