

# Preservation and Promotion of Minority Depository Institutions

The Federal Deposit Insurance Corporation Report to Congress for 2018



Doreen Eberley, the FDIC's Director, Risk Management Supervision Division, spoke at the National Bankers Association Annual Convention. Also pictured here is Kenneth Kelly, the NBA Chairman and a member of the FDIC's Advisory Committee on Community Banking.



The FDIC's New York Regional Director, John Vogel, greets Evelyn Smalls and Brenda Hudson-Nelson from United Bank of Philadelphia, and Joe Haskins from Harbor Bank of Maryland.



FDIC Assistant Regional Director Anthony Clark participates in the Dallas Regional MDI Roundtable with Howard Brooks, Liberty Bank and Dalia Martinez, International Bank of Commerce.

## Failing Institutions

In accordance with Section 308 and FDIC policy, the FDIC seeks to preserve the minority character of failing institutions before and during the resolution process. The FDIC provides ongoing supervisory oversight of institutions prior to failure, through regular onsite examinations, visitations, and off-site monitoring, as well as through numerous offers of technical assistance.

In the event of a potential MDI failure, the FDIC contacts all MDIs nationwide that qualify to bid on failing institutions. The FDIC solicits qualified MDIs' interest in the failing institution and discusses the bidding process. The FDIC also provides technical assistance regarding completion of the bid forms and use of the FDIC's secured website for conducting due diligence. During the resolution process, institutions on the final bidders list must be cleared by the appropriate Federal and State regulators.

As noted above, the FDIC hosted three outreach sessions and one webinar with MDI bankers in

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2018 to provide an overview of the process for bidding on failing minority banks, and to offer technical assistance to banks desiring to place a bid on a failing MDI franchise.



Pamela Farwig, the FDIC's Deputy Director for Resolutions and Receiverships, provides an overview of the franchise marketing and failed bank bidding process to a group of approximately 50 MDI bankers in Los Angeles.

As previously noted, no FDIC-insured minority depository institutions failed in 2018. The FDIC historically has been able to solicit sufficient MDI bidder interest to preserve the minority character in failures.

The FDIC tracks the impact of structural changes on the assets controlled by MDIs. Between 2002 and 2018, the number of voluntary mergers (80) was twice the number of failures (40); six other MDIs voluntarily closed. Among MDIs that voluntarily merged or consolidated during that same period, 51 percent of the institutions and 76 percent of total assets were acquired by another MDI. Among MDIs that failed between 2002 and 2018, 38 percent of the institutions and 86 percent of total assets were acquired by another MDI. Although the rate of acquisition by another MDI was higher for voluntary mergers than for failures, the FDIC demonstrated its commitment to the

statutory goal of preserving the minority character in mergers and acquisitions and providing technical assistance to help prevent insolvency.

## Conclusion

Minority depository institutions promote the economic viability of minority and under-served communities, providing access to capital in their communities. The FDIC has long recognized the importance of MDIs in the financial system and takes steps to preserve and encourage minority ownership of insured financial institutions. MDI bankers provide valuable input to the FDIC, including unique insight and experiences, as active members of two FDIC Advisory Committees that shape FDIC priorities and policy: the Advisory Committee on Economic Inclusion and the Advisory Committee on Community Banking.

The FDIC continually seeks to identify initiatives that will enable it to carry out its commitment to preserve existing minority depository institutions; to preserve the minority character of an institution in cases of merger or acquisition; to provide technical assistance to help prevent insolvency of institutions; to promote and encourage the creation of new minority depository institutions; and to provide for training, technical assistance, and education programs.

## Attachments

Attachment 1: [\*FDIC's Policy Statement Regarding Minority Depository Institutions\*](#)

Attachment 2: [\*List of Minority Depository Institutions as of December 31, 2018.\*](#)

Attachment 3: [\*Resource Guide for Collaboration with Minority Depository Institutions\*](#)