

# Preservation and Promotion of Minority Depository Institutions

The Federal Deposit Insurance Corporation Report to Congress for 2019



billion of this growth and one- to four-family lending accounted for an additional \$3.5 billion of total loan growth. Commercial and industrial (C&I) loan balances grew to \$2.0 billion. Additionally, securities increased by \$7.1 billion (21.1 percent).

Total 30-89 day past due balances increased by 15.7 percent from one year ago, driven by one- to four-family lending, and consumer and C&I portfolios; but noncurrent and net charge-off balances declined. Lower noncurrent balances helped improve the coverage ratio (allowance for loan and lease losses to noncurrent loans and leases) to 80 percent, up from 76.4 percent a year ago. The noncurrent rate in the fourth quarter was 1.54 percent, down seven basis points from the previous quarter and 27 basis points from the previous year. Despite the improvement, both of these figures trail the coverage ratio and noncurrent rate of all community banks (148.42 percent and 0.75 percent, respectively).

Total equity capital increased from the previous year by \$2.8 billion (9.5 percent) to \$31.8 billion. All standard capital ratios, except the Tier 1 Leverage ratio, increased from fourth quarter 2018. The Tier 1 Leverage ratio decreased by four basis points to 11.65 percent. All but one institution was considered well capitalized or adequately capitalized.

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 (LMI) 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 [\*Policy Statement Regarding Minority Depository Institutions\*](#) (see Attachment 1) provides the framework for the minority depository institutions program (MDI program). The FDIC has a National Director of Minority and Community Development Banking in the Washington, DC Office, and MDI coordinators in each of its six regional offices. The National Director reports to the Directors of the Division of Risk Management Supervision and the Division of Depositor and Consumer Protection to leverage resources and expertise in the two divisions. In 2019, the FDIC filled two additional dedicated positions that support the MDI program at the national level.

The National Director advises the FDIC Chairman on MDI activities and initiatives, provides overall direction and guidance, and consults with other FDIC divisions to provide appropriate resources across the agency to support 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 FDIC's efforts under this program, discuss possible training initiatives, and explore options for preserving and promoting minority ownership and management of depository institutions.

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Betty J. Rudolph, National Director, Minority and Community Development Banking, FDIC, welcomes attendees to the 2019 Interagency MDI and CDFI Bank Conference.

The National Director also regularly meets with Federal banking agency colleagues to discuss outreach and training efforts, to share ideas, and to identify opportunities where the agencies can work together to support 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 seek input regarding any training or other technical assistance the institution may desire.

The FDIC has a website ([fdic.gov/mdi](https://fdic.gov/mdi)) dedicated to MDIs, which provides valuable information on MDIs and resources useful to minority banks. The MDI website houses the FDIC's [Annual Reports to Congress](#), a list of MDIs updated quarterly, research studies on MDIs, and other helpful resources. These resources include information on how collaborations with MDIs can result in

sound and profitable lending and investments that meet the needs of underserved communities, updates on the FDIC's MDI Subcommittee, and contact information for national and regional MDI coordinators and staff.

## 2019 Initiatives Supporting Minority Depository Institutions

The preservation and promotion of MDIs remains a long-standing and high priority for the FDIC. In 2019, the FDIC expanded engagement with MDIs and continued to promote and support strategies led by MDIs and Community Development Financial Institution (CDFI) banks to better serve their communities. These strategies included increasing collaboration between MDIs and other financial institutions; partnering to share costs, raise capital, or pool loans; and innovatively using available Federal programs. The FDIC supports these efforts through research, outreach, and engagement to better understand MDI issues, as well as by providing technical assistance, education, and training for MDI and CDFI banks.

### Research

During 2019, the FDIC published a research study, [Minority Depository Institutions: Structure, Performance, and Social Impact](#), that explores changes in FDIC-insured MDIs, their role in the financial services industry, and their impact on the communities they serve. The study looked at the demographics, structural change, geography, financial performance, and social impact of MDIs over a 17-year period ending December 31, 2018.

The study found that MDIs continue to consolidate, but more gradually than community banks overall. The number of African American MDIs declined by more than half during this period. African