Preservation and Promotion of Minority Depository Institutions

The Federal Deposit Insurance Corporation Report to Congress for 2019

Betty J. Rudolph, National Director, Minority and Community Development Banking, FDIC, shown here with the Board of Directors of the National Association of Chinese American Bankers.

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 on-site examinations, visitations, off-site monitoring, and through many 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, the appropriate Federal and State regulators must clear institutions on the final bidders list.

The FDIC implemented a new failing bank marketing procedure in 2019 that provides a two-week window exclusively for MDIs. During this window, the FDIC contacts all qualified MDIs on the bid list to ensure they received an invitation to bid, and provides full access to the data room if an MDI is interested. The FDIC also describes the failing bank transaction and offers technical assistance on the bidding process. Following the two-week period, the FDIC invites all other qualified bidders to the failing bank project.

The FDIC applied this new procedure to the sole failure of an MDI in 2019. An African American MDI failed on November 1, 2019, and another African American MDI submitted the least cost bid, assumed all of the deposits, and purchased the failed bank's assets.

The FDIC's research shows that over a 17-year period, most of the assets of merged and failed MDIs have been acquired by other MDIs. Of the nearly $23 billion in MDI failed-bank assets during this period, 86 percent were acquired by another minority institution.

Conclusion

The FDIC recognizes that MDIs play a unique role in promoting economic viability in minority and underserved neighborhoods, and 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 and management 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 MDI Subcommittee to CBAC also provides an opportunity for minority bankers to discuss key issues and share feedback with FDIC Board Members and senior management and to promote collaboration, partnerships, and best practices.

Preserving, promoting, and building capacity in these institutions are top priorities for the FDIC. The FDIC continually seeks to identify initiatives that will enable it to carry out its commitment to preserve MDIs and the minority character of these institutions.

Attachments

Attachment 1: FDIC's *Policy Statement Regarding Minority Depository Institutions*

Attachment 2: *List of Minority Depository Institutions as of December 31, 2019*

Attachment 3: *Resource Guide for Collaboration with Minority Depository Institutions*

Attachment 4: *Large Bank Roundtable Collaboration Inventory*

"The health of Minority Depository Institutions is essential to the health of our nation's financial system. The FDIC is dedicated to promoting the financial strength of MDIs. The FDIC stands ready to preserve and protect MDIs. They are the lifeblood of their communities."

—Jelena McWilliams, Chairman, FDIC