

2022 INITIATIVES SUPPORTING MINORITY DEPOSITORY INSTITUTIONS

The preservation and promotion of MDIs remains a long-standing, top priority for the FDIC. The FDIC's research study, [Minority Depository Institutions: Structure, Performance, and Social Impact](#), published in 2019, found that MDIs have played a vital role in providing mortgage credit, small business lending, and other banking services to minority and low- and moderate-income (LMI) communities. MDIs are anchor institutions in their communities and play a key role in building a more inclusive financial system.

Since 2020, significant new sources of private and public funding have become available to support FDIC-insured MDIs and CDFI banks, collectively known as "mission-driven banks." This includes more than \$8.3 billion in funding from the U.S. Department of the Treasury (Treasury) through the Emergency Capital Investment Program, as well as \$3 billion in new grant funding for CDFI banks, including up to \$1.2 billion set aside for minority lending institutions.

During 2022, the FDIC pursued several strategies to support MDIs. These included increasing engagement and representation, facilitating partnerships to provide new capital and other tools and resources, updating policies, and promoting the MDI sector through advocacy, as well as by providing outreach, technical assistance, and education and training for MDIs. The FDIC also undertook initiatives to build internal capacity – appropriate staffing, tools and expertise – to effectively carry out the MDI program. Each of these strategies is described in detail below.

Engagement and Representation

The FDIC's MDI Subcommittee of the Advisory Committee on Community Banking (CBAC) held one virtual and one in-person meeting in 2022. The subcommittee is composed of nine MDI executives representing all types of MDIs and provides a venue for minority bankers to discuss key issues, share feedback on program initiatives, and showcase MDI best practices. In 2022, the MDI Spotlight featured MDI executives sharing best practices for strategic planning and succession management and experiences with forging successful large bank partnerships. In addition, FDIC staff presented a new interactive mapping tool to help bankers and others identify potential business opportunities for serving minority communities. Bankers provided input that will be used to enhance the tool scheduled for release in 2023.

Representatives from four MDIs also serve on the 18-member CBAC and one serves on the Advisory Committee on Economic Inclusion to further bring MDI perspectives and issues to the table.



MDI Subcommittee members from left: Warren Huang, Gilbert Narvaez, Jr., Benjamin Lin, Russell Lau, Deron Burr, Alden McDonald, Jr., James H. Sills, III, and Kyle Chavis. Not pictured: Angel Reyes.

The MDI Subcommittee continues to be a valuable resource as it allows the FDIC to better understand and support mission-driven banks and promote the important work they do in underserved communities.



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BRIDGING THE GAP

Assessing the Evolving Needs of Mission-Driven Banks

VIRTUAL LISTENING SESSION

In the second half of 2022, the FDIC hosted, along with the OCC and Federal Reserve, a series of four listening sessions with FDIC-insured MDIs and CDFI banks to assess the evolving needs of mission-driven banks. This open forum provided an opportunity for the three bank regulatory agencies to directly engage with MDIs and CDFI banks to identify challenges and opportunities and receive feedback on agency efforts to support mission-driven banks. The FDIC also engaged in deeper relationships with trade groups that support mission-driven banks to facilitate effective implementation of some of the new resources becoming available to mission-driven banks throughout the year.

Partnerships

The FDIC worked with staff in other Federal agencies that have programs that may be of interest to MDIs. For example, staff worked with the Treasury to share information with MDIs about opportunities to form partnerships through the Treasury Mentor-Protégé Program that pairs MDIs with large banks that contract with Treasury. The FDIC also worked with Treasury's State Small Business Credit Initiative (SSBCI) program to inform MDIs and CDFI banks of business opportunities through credit enhancements supported with Treasury funding. The SSBCI program provides a combined \$10 billion to states, the District of Columbia, territories, and Tribal governments to empower small businesses to access capital needed to invest in job-creating opportunities as the country emerges from the pandemic.

Another partnership the FDIC initiated in 2022 is with the Department of Transportation's (DOT) Office of Small and Disadvantaged Business Utilization. DOT received significant infrastructure funding from the Infrastructure Investment and Jobs Act enacted in November 2021 and relies on contracts with small businesses, including disadvantaged businesses, to implement the legislation. DOT determined that many small businesses need access to bridge financing either prior to or upon contract award and MDIs and CDFI banks may be a possible source of funding.

In December 2022, Microsoft and Truist Financial Corporation, the anchor investors in the Mission-Driven Bank Fund, announced the hiring of a Fund manager to underwrite investments and manage the Fund. The Fund was established in 2021 with the encouragement of the FDIC. Its purpose is to provide funding and other support for FDIC-insured MDIs and CDFIs.

Policies

In May 2022, the FDIC issued Financial Institution Letter 24-2022, Minority Depository Institution Designations, which outlines the process by which FDIC-supervised institutions or applicants for deposit insurance can make a request to be designated as an MDI. The instructions provide transparency to the public on the procedures to follow and criteria that must be fulfilled for designating an institution as an MDI. In 2022, two new FDIC-supervised de novo MDIs opened for business, four other existing institutions were designated as MDIs, and the FDIC granted conditional approval of an application for deposit insurance for a de novo MDI.



Advocacy

It is important to promote the visibility of MDIs, to tell their stories, and showcase the important role they play in their communities. In 2022, the FDIC recorded four videos of MDI executives sharing their institutions' "origin stories," highlighting the reasons their institutions were formed, and describing how they have served their communities over time. In addition, senior agency leaders emphasized the significance of mission-driven banks in numerous external speaking engagements and through posts on FDIC social media channels and its website.

The FDIC also developed a new joint series of podcasts to showcase public- and private-sector efforts to preserve and promote MDIs and advance diversity and inclusion across financial services. The [Banking on Inclusion FDIC Podcast series](#) discussed the important role of minority-owned and -operated institutions within the broader financial services sector. Three episodes were published in 2022 addressing topics that are critical to the minority, LMI, and rural communities they serve where families often lack access to financial services.

Outreach, Technical Assistance, Education

During the year, the FDIC continued efforts to improve communication and interaction with MDIs and to respond to the concerns of minority bankers. 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 conducts an annual survey to obtain feedback from MDIs and to help assess the effectiveness of the MDI program.

Technical assistance is a key component of the FDIC's strategies to support MDIs. At the conclusion of each examination of an MDI supervised by the FDIC, the staff is available to return to the institution to provide technical assistance by reviewing areas of concern or topics of interest to the institution. The purpose of return visits is to assist management in understanding and implementing examination recommendations, not to identify new problems.

Through its public website (www.fdic.gov), the FDIC invites inquiries and provides contact information for any MDI to request technical assistance at any time.

In 2022, the FDIC provided 148 individual technical assistance sessions on approximately 49 risk management, consumer compliance, and resolution topics, including:

- Accounting,
- Applications for branch openings and closures,
- Anti-Money Laundering (AML)/Countering the Financing of Terrorism (CFT),
- Community Reinvestment Act (CRA),
- Compliance management,
- Capital Planning and Management,
- Current Expected Credit Losses (CECL) accounting methodology,
- Fair Lending,
- Funding and liquidity,
- Information technology risk management and cybersecurity,
- Internal audit, and
- Loan modifications and Troubled Debt Restructuring.

In response to concerns raised by MDIs, the FDIC held a webinar to discuss supervisory expectations for MDIs and CDFI banks awarded funds from the U.S. Treasury Emergency Capital Investment Program. The webinar addressed questions bank management had regarding the FDIC's examination approach for FDIC-supervised MDIs and CDFI banks deploying the funds. FDIC staff discussed several risk management practices institutions must consider when anticipating significant asset growth, expanding into new markets, and developing new product offerings. Staff also addressed questions regarding strategic and capital planning associated with the award.

The FDIC also held outreach, training, and educational programs for MDIs through conference calls and regional banker roundtables. In 2022, topics of discussion for these sessions included many of those listed above, as well as strategic and management succession planning, FDIC economic inclusion initiatives, emerging risks and areas of concern, IT vendor management, and innovation and emerging technology. Further, during the regional roundtables, representatives from Treasury and the DOT presented information on the Mentor-Protégé Program, SSBCI, and small business initiatives discussed above.

Building Internal Capacity

In 2022 the FDIC undertook two initiatives to build additional tools and resources to assist examination staff and other employees that carry out the MDI program. In January, the FDIC launched the MDI Economic and Banking Dashboard to assist examination and supervisory staff in assessing, monitoring, and examining MDIs. The dashboard allows staff to pull key information on economic indicators and demographics of the communities in which the MDIs operate. Specifically, examiners can use the data included in the dashboard to gather information to better understand several aspects of the bank's primary market, which is a key part of understanding an institution and its business model.

In December, the FDIC launched just-in-time refresher training for examiners of MDIs to reinforce the understanding of the application of examination standards. The training illustrates consideration of the unique business models of MDIs and the recognition of unique characteristics when assessing performance and assigning ratings. In addition, the training provides information and case studies on many of the new funding sources coming into MDIs and CDFI banks as well as information regarding tools to help understand the communities served by MDIs.

Failing Institutions

In accordance with Section 308 of FIRREA 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 to bid on the failing bank.

The FDIC provides a two-week franchise marketing 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.

**No MDIs
failed in 2022.**