Investing in the Future of Mission-Driven Banks

A Guide to Facilitating New Partnerships

Overview

Minority Depository Institutions

MDIs play a unique role in promoting economic viability in minority and LMI communities. Preserving, promoting, and building capacity in these institutions are high priorities for the FDIC. The section of this report starting on page 15, “The Importance of Mission-Driven Banks,” contains more information on the unique role that MDIs play in their communities and describes recent FDIC initiatives to support these banks.

In 1989, Congress enacted the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), which recognized that minority banks can play an important role in serving the financial needs of historically underserved communities and minority populations. FIRREA established five goals related to MDIs:

- Preserve the number of MDIs;
- Preserve the minority character in cases of merger or acquisition;
- Provide technical assistance to prevent insolvency of institutions not now insolvent;
- Promote and encourage creation of new MDIs; and
- Provide training, technical assistance, and educational programs for MDIs.

The FDIC defines an MDI as any federally insured depository institution for which 51 percent or more of the voting stock is owned by minority individuals or a majority of the board of directors is minority, and the community that the institution serves is predominantly minority.

As of December 31, 2019, the FDIC insured 144 MDIs with combined total assets of nearly $249 billion and almost 37,000 employees. The FDIC serves as insurer of these banks, and as regulator and supervisor to 96 MDIs, or two-thirds of all MDIs that are banks. The Office of the Comptroller of the Currency (OCC) and Federal Reserve supervise the remaining one-third of these MDIs, 23 percent and 10 percent, respectively. Unlike the 514 MDI credit unions that can receive direct support from the National Credit Union Administration through its MDI Preservation Program, the FDIC and other federal banking agencies do not have authority to directly fund insured depository institutions.

The table below shows key information about the MDI industry. It includes information on all FDIC-insured MDIs, including those supervised by the OCC and Federal Reserve.

To find a specific MDI, visit the FDIC’s MDI and CDFI bank locator.

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MDI Industry Profile as of December 31, 2019 ($ in millions)					
Indicator	**All MDIs**	**African American**	**Asian American**	**Hispanic American**	**Native American**
Number of Banks	144	21	73	33	17
Total Assets	$248,619	$4,857	$129,267	$109,950	$4,545
Median Asset Size*	$339	$106	$408	$467	$199
Total Equity Capital	$31,826	$447	$16,301	$14,509	$569
Return on Assets	1.33	0.14	1.45	1.28	0.55
Return on Equity	10.39	1.54	11.53	9.59	4.48
% Unprofitable Banks	14.58%	42.86%	12.33%	3.03%	11.76%

* The Hispanic MDI assets and equity capital shown above are for those banks not located in Puerto Rico, and the number of Hispanic MDIs above includes the four Puerto Rican MDIs, which are significantly larger, with $10.9 billion in median assets.

Community Development Financial Institutions

The FDIC also supports the activities of insured CDFI banks. Although CDFIs can be nonbanks, this document refers only to CDFI banks, which the FDIC insures. CDFI banks provide financial services in low-income communities and to individuals and businesses that have traditionally lacked access to credit. The CDFI Fund, an agency of the U.S. Department of the Treasury, certifies institutions as CDFIs in recognition of their specialized role. All certified CDFIs must show that at least 60 percent of their total lending, services, and other activities benefit low-income communities.

As of December 31, 2019, the FDIC insured 138 CDFI banks with combined total assets over $58 billion and approximately 13,000 employees. Of these 138 banks, 35 were also MDIs. Fifteen of the 21 African American MDIs are also CDFI banks. The FDIC supervises almost 70 percent (95 institutions) of all CDFI banks, while the OCC supervises 17 percent and the Federal Reserve 14 percent. Compared with MDIs, CDFI banks serve a broader base of low-income rural communities, while MDIs generally serve more urban populations.

The table below shows the composition of the CDFI bank industry, broken down by FDIC regional boundaries: NY (New York Region), ATL (Atlanta Region), CHI (Chicago Region), KC (Kansas City Region), DAL (Dallas Region), and SF (San Francisco Region).[1] It includes information on all FDIC-insured CDFI banks, including those supervised by the OCC and Federal Reserve.

To find a specific CDFI bank, visit the FDIC's [MDI and CDFI bank locator.]

[1]For more information on FDIC regions, including states served, see https://www.fdic.gov/about/contact/directory/region.html.

CDFI Bank Industry Profile as of December 31, 2019 ($ in millions)							
Indicator	**All CDFIs**	**NY**	**ATL**	**CHI**	**KC**	**DAL**	**SF**
Number of banks	138	12	18	11	5	81	11
Total Assets	$58,325	$5,045	$5,142	$2,487	$1,987	$34,731	$8,935
Total Equity Capital	$6,981	$501	$590	$300	$200	$4,050	$1,341
Return on Assets	1.15	-0.11	1.08	1.16	1.87	1.27	1.33
Return on Equity	9.80	-1.11	9.61	9.51	18.06	11.09	9.12
% Unprofitable Banks	8.70%	50.0%	0.00%	27.27%	0.0%	2.47%	9.09%