

# Investing in the Future of Mission-Driven Banks

## A Guide to Facilitating New Partnerships



### Business Need

The median MDI and CDFI bank is generally small in terms of total assets. Employees in smaller institutions often wear many hats, and the institutions find it difficult to build back-office operations to scale and attain efficiencies. MDIs, particularly smaller MDIs, have significantly higher cost structures than larger institutions and non-MDI community banks.

The FDIC's goals for partnerships are to facilitate the building of MDI and CDFI bank capacity—to provide the tools and resources to help them grow their operations so they can scale up to serve more customers more efficiently, and produce income levels that cover overhead expenses.

Many mission-driven banks also face challenges acquiring, deploying, and maintaining technology solutions for their core processing systems and customer-facing products and services. In part, this is because of their smaller size, limited budgets, and access to expertise.

Communities served by mission-driven banks were some of the hardest hit during the financial crisis and

were among the slowest to recover. Many of these communities face continuing economic challenges, including job loss, availability of affordable housing, and limited small business activity, even when broader economic indicators are positive.

African American MDIs experience these business needs more acutely. Since 2001, the number of African American MDIs has declined by more than half, with 21 FDIC-insured African American banks remaining as of December 31, 2019. Approximately one-half of the decline was due to mergers and acquisitions, with many African American banks becoming larger during this period. The other half of the decline was because of failures starting in 2008 with the onset of the financial crisis.

In terms of total assets, African American MDIs are the smallest among all MDIs. The COVID-19 pandemic has had a disproportionate impact on the communities these institutions serve. As a result, these MDIs are likely to experience additional pressure on the performance of their loan portfolios if economic conditions continue to deteriorate,

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which in turn will limit their ability to support further lending in their communities.

The needs of mission-driven banks, including African American MDIs, are additional capital to support greater lending and investment in their communities and to absorb losses in periods of economic turmoil, as well as capacity-building expertise, access to new products and services, and improvements in back-office technologies. Building scale and capacity across all MDIs and CDFI banks is vitally important to support minority and LMI customers and communities. An investment of \$1 billion to \$2 billion (2.5 percent to 5 percent of total capital of the 247 MDIs and CDFI banks) could begin to transform minority and LMI communities across the nation.



“Industrial Bank is committed to small, community-based organizations such as ours. They saw promise in what we were doing, and because of that, Industrial Bank will be our partner as long as we’re in business.”  
—Timothy Walker, Elaine Ellis Center of Health.

### Industrial Bank

Washington, D.C.

African American MDI and CDFI Bank

Industrial Bank provided the financing for the acquisition of the property and the construction for the Elaine Ellis Health Center in Washington, D.C. Jacquelyn Walker and Timothy Walker founded the Health Center. The mother-son team are former residents of the Deanwood community in Ward 7 and relatives of the late Elaine Ellis, for whom the organization gets its name.

The mission of the Health Center is to provide affordable, comprehensive, preventive, and primary healthcare services to underserved residents of Ward 7 and surrounding communities regardless of their ability to pay. The Health Center offers services in a clean, safe environment that meets the healthcare needs of their community. Their loan from Industrial Bank allowed the Health Center to maintain 20 existing jobs and create 10 new permanent jobs.

*Industrial Bank, a \$600 million African American MDI, has served neglected communities within the Washington, D.C. area for over 80 years. It has remained staunchly committed to its community. In fact, most of its branches are in low- to moderate-income neighborhoods. Industrial’s team of dedicated employees conduct an average of 800 community and financial literacy service hours annually to over 50 nonprofit organizations, churches, and schools in the Washington, D.C. community. Industrial Bank expanded to New York and New Jersey in 2019 by purchasing another MDI.*

The [Community Development Bankers Association](#) provided the information used for this impact story.

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*Albert Senior Day Center provides clients with a sense of purpose, belonging, and independence, a pathway to the enjoyment of life's pleasures, and an ability to grow old with dignity.*



*Albert Senior Day Center provides clients with a variety of activities. A dance class is underway in this photo.*

### Noah Bank

Elkins Park, Pennsylvania  
Asian American MDI and CDFI Bank

Pennsylvania ranks fourth in the nation for the percentage of the population over 65, and robust senior services are becoming increasingly critical for the state.

Noah Bank has supported Pennsylvania's senior community by helping to finance the Albert Senior Day Center, an adult day care facility in the Philadelphia area that serves 110 Medicaid-eligible seniors.

The center provides breakfast and lunch through the Supplemental Nutrition Assistance Program (SNAP) and a nurturing environment for the senior residents. Noah Bank's loan financed facility improvements and allowed Albert Senior Day Center to hire 10 additional employees.

*Founded in 2010, Noah Bank is a \$373 million Asian American MDI and CDFI bank headquartered in Elkins Park, Pennsylvania, with branches and lending activity in New Jersey, New York, and Pennsylvania. The bank's mission is to promote community development by delivering customer-oriented banking solutions to underserved populations in its tristate market, with a strong focus on developing minority-owned small businesses. As an MDI, Noah Bank initially focused on businesses owned by immigrant and first-generation Asian Americans. It has expanded its services to ensure that it meets the needs of every demographic within its diverse region.*

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### M&F Bank

Durham, North Carolina

African American MDI and CDFI Bank



*Jim Sills and M&F Bank staff volunteer to help North Carolina MedAssist.*

UDI Community Development Corporation, a nonprofit organization with a mission to raise the economic welfare, education, and social levels of low-income and underprivileged residents of Durham, North Carolina, has developed the UDI Industrial Park, which provides facilities for approximately 300 people to work and train.

M&F Bank financed the construction of expanded facilities in the industrial park, which enabled more businesses to move in and to offer more employment opportunities. “What UDI is doing

for the community is tremendous,” said Jim Sills, President and CEO of M&F Bank. “We’re very proud to have them as our client.”

M&F Bank provides more than just banking services to its community. M&F Bank also partners with North Carolina MedAssist, a statewide nonprofit pharmacy program, which regularly holds free mobile pharmacy events in Durham. These events enable low-income and uninsured local residents to access basic over-the-counter medications for common diseases such as heart disease, diabetes, and asthma.

*M&F Bank is a \$291 million African American MDI and CDFI bank in Durham, North Carolina. The bank was organized in 1907 under the authority of a charter issued by the North Carolina’s state legislature. Originally named “Mechanics and Farmers Bank,” the founders and original customers represented various trades, crafts, and professions in which African Americans had achieved success and prominence in the community in the early 1900s. The bank provides financial and advisory services for small businesses, and always seeks to advance its community development mission.*

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