

# Investing in the Future of Mission-Driven Banks

## A Guide to Facilitating New Partnerships



### The Importance of Mission-Driven Banks

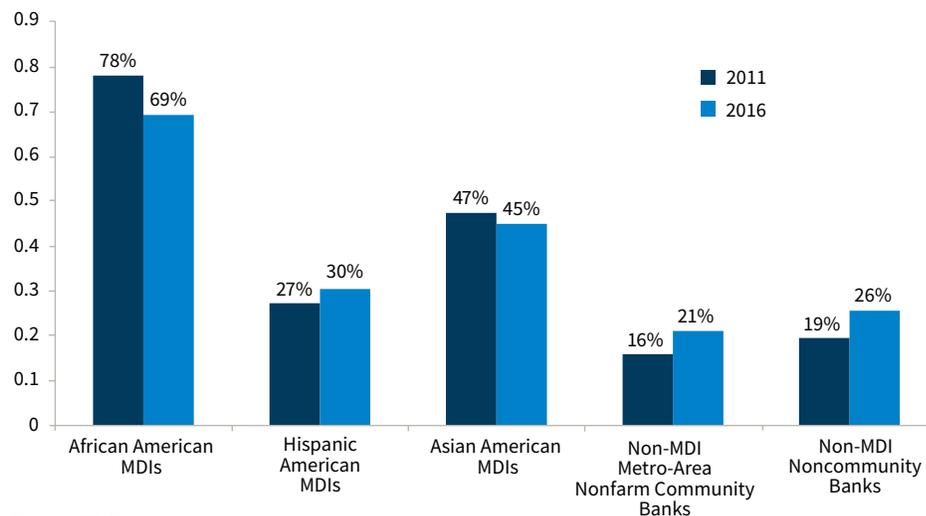
#### MDI Social Impact

MDIs tend to serve communities in which a higher share of the population lives in LMI census tracts and a higher share of residents are minorities, compared with non-MDI banks in communities where MDIs are located.

The following charts are excerpted from the FDIC's 2019 research study, *Minority Depository Institutions: Structure, Performance, and Social Impact*, and illustrate these key points about the impact MDIs have in their communities. The comparison institutions in these charts are non-MDI community banks that are in metro areas similar to MDIs and non-MDI noncommunity banks, which are generally the largest FDIC-insured institutions.

MDIs are important service providers to minority populations, which have higher percentages of unbanked households than other population groups. MDI offices are typically located in areas with a higher share of minority populations. Analysis of the demographic characteristics of these service areas shows that in both 2011 and 2016, the minority share of estimated service area populations was much higher for MDIs than non-MDIs.

#### The Median Share of Estimated Service Area Population Living in LMI Census Tracts Is Higher Among MDIs



Source: FDIC

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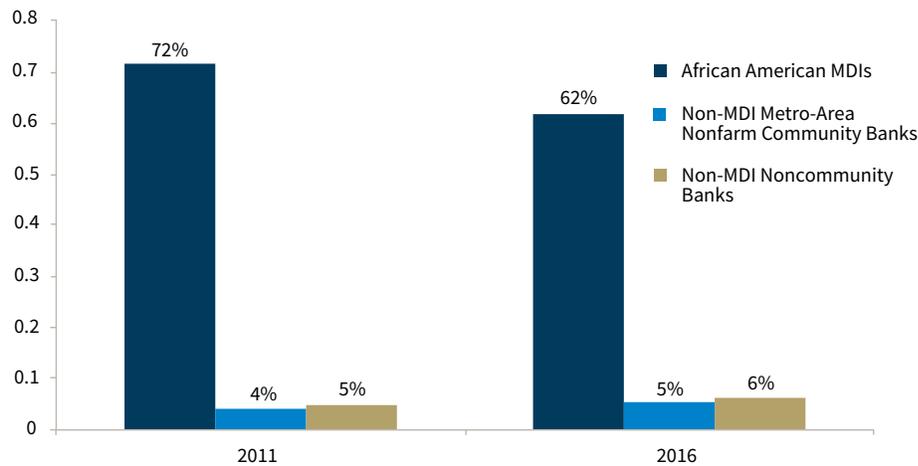
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In 2011, the median share of estimated service area population that was African American was 72 percent for African American MDIs, compared with 4 percent for non-MDI community banks.

In 2016, the median share of estimated service area population that was African American was 62 percent for African American MDIs compared with 5 percent for non-MDI community banks.

### The Median Share of Estimated Service Area Population That Is African American Is Higher for African American MDIs



Source: FDIC

Hispanic American MDIs also have service area populations with a higher median share of Hispanic American residents compared with non-MDIs. In 2011, the median share of the estimated service area population that was Hispanic American was 67 percent for Hispanic American MDIs, compared with 4 percent for non-MDI community banks. In 2016, the median share of estimated service area

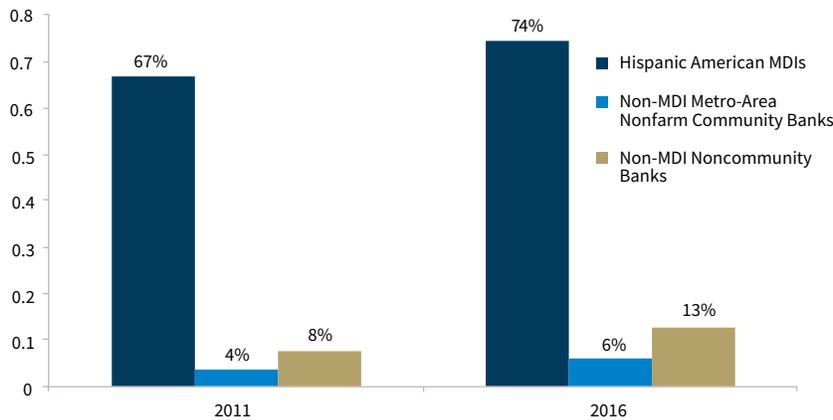
population that was Hispanic American was 74 percent among Hispanic American MDIs compared with 6 percent for non-MDI community banks.

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### The Median Share of Estimated Service Area Population That Is Hispanic Is Higher for Hispanic American MDIs

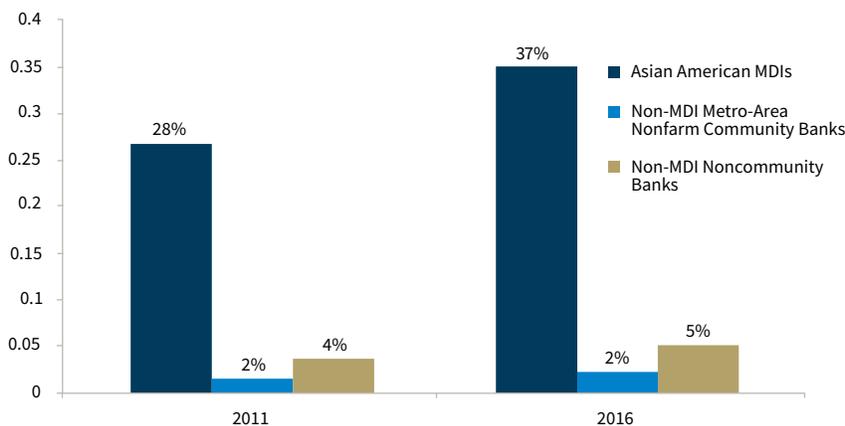


Source: FDIC

Asian American MDIs also have service area populations with a higher share of Asian Americans compared with non-MDI community banks in both 2011 and 2016. In 2011, the median share of the estimated service area population that was Asian American was 28 percent for Asian American MDIs

compared with 2 percent for non-MDI community banks. In 2016, the median share of estimated service area population that was Asian American was 37 percent among Asian American MDIs compared with 2 percent among non-MDI community banks.

### The Median Share of Estimated Service Area Population That Is Asian American Is Higher for Asian American MDIs



Source: FDIC

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Native American MDIs provide important services to Native American populations. The analyses of geographic service areas did not include Native American MDIs because only a minority of these MDIs have all of their branches in metropolitan areas.



*Bay Bank in Green Bay, Wisconsin, a \$110 million Native American MDI, provides banking services to the Oneida Nation, which is the sole owner of the bank.*

### FDIC Initiatives to Support MDIs and CDFI banks

The FDIC Board of Directors originally adopted its [Policy Statement Regarding Minority Depository Institutions](#) in 1990. In 2020, the Policy Statement was updated and outlines the scope of the FDIC's MDI program, which includes outreach, technical assistance, and education and training activities to build capacity in MDIs.

In 2019, FDIC Chairman Jelena McWilliams established additional goals to increase engagement and collaboration to support MDIs. The FDIC took the following measures to help grow MDIs and improve their operations:

- Published [Minority Depository Institutions: Structure, Performance, and Social Impact](#), a research study that looks at the demographics, structural change, geography, financial performance, and social impact of MDIs over a 17-year period ending December 31, 2018.
- Hosted [three roundtable discussions](#) among executives of MDIs and large banks to facilitate greater lending and community development activities in low-income neighborhoods and to explain how such collaborations could receive favorable consideration under the CRA. See more detail on this initiative below.



*FDIC Chairman Jelena McWilliams welcomes bankers to the Large Bank - Minority Depository Institution Roundtable in Washington, D.C. on June 27, 2019.*

- Established a new [MDI Subcommittee](#) of the FDIC's Advisory Committee on Community Banking (CBAC). Nine executives, representing African American, Native American, Hispanic American, and Asian American MDIs across the country, serve on the MDI Subcommittee. The

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Subcommittee serves as a source of feedback for the FDIC to fulfill its statutory goals to preserve and promote MDIs. It also provides a platform for MDIs to promote collaboration, partnerships, and best practices, and it identifies ways to highlight the work of MDIs in their communities.

- Hosted, in collaboration with the OCC and Federal Reserve, an interagency [MDI and CDFI bank conference](#). This 2019 conference, *Focus on the Future: Prospering in a Changing Industry*, drew more than 80 MDI and CDFI bankers, representing 61 banks, to the two-day event held at the FDIC's Seidman Center in Arlington, Virginia.
- Facilitated the sharing of MDIs' stories. The impact that MDIs have in their communities reflects their resilience relative to historical factors that prevented minority and LMI communities from gaining access to credit at mainstream financial institutions. The FDIC has begun to record and publish videos to capture "origin stories" of many of these MDIs to highlight the important impact they have.

The origin story for Industrial Bank, an African American MDI in Washington, D.C. can be found [here](#).

The origin story for The Harbor Bank of Maryland, an African American MDI in Baltimore, Maryland can be found [here](#).

The FDIC hosted three roundtables in 2019 with executives of large banks and MDI bankers to foster collaboration to support the continued vibrancy of MDIs and their communities. At each roundtable, the FDIC outlined how both MDIs and other institutions

might realize business and regulatory benefits by developing partnerships, drawing upon the FDIC's [Resource Guide for Collaboration with Minority Depository Institutions](#), published in December 2017. In addition, the FDIC clarified how relationships with MDIs receive consideration under the CRA.



*MDI Subcommittee members discuss banking trends affecting MDIs. From left: James H. Sills, III, M&F Bank; Warren Huang, Amerasia Bank; Gilbert Narvaez, Jr., Falcon International Bank; and Kyle Chavis, Lumbee Guaranty Bank.*



*Makada Henry-Nickie, Brookings Institute, (left) facilitated the discussion of key challenges facing minority and CDFI banks with FDIC Chairman Jelena McWilliams, OCC Senior Deputy Comptroller Grovetta Gardineer, and Federal Reserve Governor Michelle Bowman.*

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During the roundtables, executives from 29 large banks and 24 MDIs discussed potential partnerships involving financial support, lending activities, or service activities, including technical assistance. On June 27, 2019, the FDIC held a roundtable for banks in the New York Region. The FDIC also held roundtables in Atlanta on October 17, 2019, and Chicago on November 7, 2019.

Before each roundtable, the FDIC asked bankers to complete a [“collaboration inventory.”](#) Using a template, minority banks outlined the types of partnerships they were seeking, such as direct investment or deposits; loan participations as

a buyer or a seller; or technical assistance or services, ranging from sharing specialty expertise to collaborating on product development or back-office operations. Large banks identified the categories in which they had an interest in partnering. Participants exchanged inventories before the roundtable to facilitate conversations at the meeting.

Bankers who attended the roundtables reported the beginning of promising partnerships involving direct investment, deposits, and technical assistance. The FDIC is monitoring the outcomes of the roundtables and will highlight successful partnerships at future events and on its [MDI Program web page](#).

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### First Choice Bank Cerritos, California Asian American MDI & CDFI Bank



*“First Choice Bank provided a microloan that made a big difference in expanding our skincare line distribution. They believe in me, and I believe in our partnership.”*

*—Enjunaya Cantonm, Zuhuri Beauty*

What can a \$1,000 loan do? To some small businesses, it’s a lot.

While First Choice Bank has been lending to businesses since opening its first branch in Cerritos, California, they learned that small businesses often do not have the resources to get a traditional small business loan.

From that realization, the bank launched a \$1,000 microloan program in 2018 with the intention to support local small business owners like start-ups and newly established businesses.

For the success and effective delivery of this program, the bank works with reputable community-based organizations that can provide small business financial literacy education to microloan applicants. Because the bank provides easy capital access to small/micro businesses with a simple and quick application process, First Choice

Bank’s microloan program is more vital than ever before for struggling small business owners during the pandemic.

What started out as a lightbulb moment to help small entrepreneurs resulted in an increase of more than 50 percent of lending in distressed, low-and moderate-income communities. This enables the bank to increase its impact for entrepreneurs of all types, particularly within minority, women, and low-to-moderate income communities.

“First Choice Bank is committed to helping people in need since the moment we opened our doors. When we developed the microloan program, we knew we had the right solution to make a difference. By working through community-based organizations, we found that we could reach people in need who would otherwise would be overlooked by the banking system. Our board and our employees are so proud of the impact we are making in our Southern California communities,” said Robert Franko, President and CEO, First Choice Bank.

*Founded in 2005, [First Choice Bank](#), is a community focused financial institution with over \$2.2 billion in assets. The bank serves diverse consumers and commercial clients, specializing in loans to small businesses, commercial and industrial loans, and commercial real estate loans with a niche in providing financing for the hospitality industry. Although First Choice Bank is considered an Asian American MDI, the bank welcomes and serves all ethnicities in its communities. The bank is a Preferred Small Business Administration (SBA) Lender. With a majority of its founders being first generation immigrants, First Choice Bank’s vision is to provide flexible solutions to Southern California’s underserved communities.*

[First Choice Bank](#) provided the information used for this story.