What are Mission-Driven Banks?

Minority Depository Institutions (MDIs) and Community Development Financial Institutions (CDFIs) are banks, savings banks, and savings associations that serve minority, low- and moderate-income (LMI), and rural communities at higher rates than mainstream banks compared to their size. Because of that, such banks are commonly known as “mission-driven banks.”

Investments through the Mission-Driven Fund can help MDIs and CDFIs...

- Raise the capital necessary to serve their communities more effectively
- Attract technical expertise to grow operations and expand services
- Acquire, deploy, and maintain technology solutions to expand access to banking services
- Weather the effects of economic downturns and recover more quickly
- Build capacity and scale to achieve cost efficiencies

The Multiplier Effect of Equity Capital

Equity capital helps mission-driven banks far more than deposits. Every dollar of equity capital invested can increase lending by a multiple of the original investment depending on regulatory capital requirements applicable to the specific institution. Every dollar of deposits can only increase lending up to the amount of the deposit.

The Mission-Driven Fund Will Provide Support Where Needed Most

- Investors interested partners, including corporations, philanthropic organizations, financial institutions, and others, invest in the fund.
- The fund manager will work with investors to offer various maturity options, though investments of a longer duration will have a greater impact on communities.
- The fund targets a minimal rate of return to investors. Investors may also reinvest any returns in the fund or in aligned non-profit enterprises that support mission-driven banks.
- The investment committee meets quarterly to receive proposals from MDIs and CDFIs for potential investments.
- The FDIC will play no role in fund management or individual investment decisions.
- The FDIC will provide technical assistance, monitor the fund, and consult to maintain its mission-driven focus.

The FDIC establishes the framework for an investment fund to support mission-driven banks.

- The FDIC will be a board-level sponsor of the fund.
- The mission-driven banks can receive support in various forms, including:
  - Direct equity
  - Structured transactions
  - Funding commitments
  - Loss-share arrangements
- The FDIC will require the fund to meet the same profitability and liquidity standards and maintain the same capital levels as its insured banks.
- The FDIC will not be a fund investor.

Want to learn more?
For additional information, contact MissionDrivenFund@FDIC.gov