The Mission-Driven Bank Fund

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

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.”

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

The FDIC establishes the framework for an investment fund to support mission-driven banks. The fund manager will partner with investors to offer various maturity options, though investments of a longer duration will have a greater impact on communities.

Rate of Return

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.

Investment Pitches From Banks

The investment committee meets quarterly to receive proposals from MDIs and CDFIs for potential investments.

Helping Communities in Need

Mission-driven banks help the people and businesses in their communities, through lending that supports:

- Mortgages;
- Small business development;
- Community development;
- Affordable housing; and
- Other initiatives.

Fund Management

An independent fund manager and investment committee make investment decisions that give individual institutions the support they need. These investments may include:

- Direct equity;
- Structured transactions;
- Funding commitments; and
- Loss-share arrangements.

The FDIC will play no role in fund management or individual investment decisions.

Transparency & Accountability

The fund manager provides annual reports to investors and the FDIC on the operations of the fund, including metrics on investment performance and impact to communities served by banks that have received fund support.

The FDIC will provide technical assistance, monitor the fund, and consult to maintain its mission-driven focus.

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