

2023 INITIATIVES SUPPORTING MINORITY DEPOSITORY INSTITUTIONS

In recent years, significant new sources of private and public funding have become available to support FDIC-insured MDIs and CDFI banks. During 2023, the FDIC pursued several strategies to support MDIs. These included: increasing engagement and representation; facilitating partnerships to provide new capital and other tools and resources; updating policies; promoting the MDI sector through advocacy; providing outreach, technical assistance, and education and training for MDIs; and building internal capacity.

Engagement and Representation

The FDIC's MDI Subcommittee of the Advisory Committee on Community Banking (CBAC) is composed of nine MDI executives representing all types of MDIs across the country with varying

asset sizes and lines of business. The MDI Subcommittee meetings provide a venue for minority bankers to discuss key issues, share feedback on program initiatives, and showcase MDI best practices. Representatives from four MDIs also serve on the 18-member CBAC and one serves on the Advisory Committee on Economic Inclusion to further bring MDI perspectives and issues to the table.



MDI Subcommittee from left seated to standing: former member Deron Burr, former member Alden J. McDonald, Jr., FDIC Chairman Martin J. Gruenberg, Russell Lau, Jeff Bowman, former member Gilbert Narvaez, Warren Huang, Doyle Mitchell Jr., Farid Tan, and former member Angel Reyes.



MDI Subcommittee meeting at FDIC Headquarters in Washington, DC on October 4, 2023.

In 2023, the MDI Subcommittee held two in-person meetings at the FDIC headquarters in Washington, DC. The meetings included discussions on topics such as banking and economic conditions, supervisory issues, third-party risk guidance, cybersecurity, and an update on the Deposit Insurance Fund. The meetings also included an MDI Spotlight segment that featured three private funds that provide resources to MDIs and bank executives sharing their experiences with new, unconventional growth opportunities.

Members of the MDI Subcommittee also participated in video recordings discussing the impact of MDIs, challenges and opportunities encountered by MDIs, and the future role of MDIs in banking. The recorded videos are an effective tool for the FDIC to promote the support that MDIs provide in their communities.



MDI CEO Jeff Bowman responding to questions from the FDIC's Office of Communications prior to the MDI Subcommittee meeting on October 4, 2023.

Also, during 2023, the FDIC continued to engage with mission-driven bank trade groups and large and regional financial institutions to facilitate effective deployment of some of the new resources becoming available to mission-driven banks.

Facilitating Partnerships

The FDIC co-sponsored the biennial interagency MDI and CDFI Bank Conference in November 2023, along with the Federal Reserve and OCC at the Federal Reserve Bank of Dallas. The two-day conference entitled, *MDI and CDFI Bank Partnership Exchange*, featured opportunities for MDIs and CDFI banks to explore partnership and collaboration opportunities with large and regional banks, as well as available supportive resources offered by various Federal agencies.

The well attended conference had over 99 MDI and CDFI bankers representing 72 banks and 68 large or regional bankers representing 59 banks as well as 9 exhibitors and 9 federal agency representatives present. The principals for the FDIC, OCC and Federal Reserve participated in the conference by providing prerecorded video messages welcoming the bankers and delivering introductions to upcoming sessions. The conference commenced with an interactive panel of top banking regulatory officials who provided recent policy updates and their insights on these topics for MDI and CDFI Banks.



MDI and CDFI bankers at the interagency conference listening to opening remarks.



Bank regulatory executives Art Lindo (Federal Reserve), Kristie Elmquist (FDIC), and Troy Thornton (OCC) discussing supervision policy updates.

The subsequent panel allowed various Federal agencies and private sector representatives to discuss their programs and initiatives that could benefit MDIs and CDFI banks. Attendees were provided an opportunity to meet with many of these organizations in the afternoon Connect and Collaborate sessions at their respective sponsored tables.



Panelists Noel Poyo (U.S. Treasury), Greg Hettrick (Federal Home Loan Bank of Dallas) and Paul Kirwin (U.S. Small Business Administration) discussing programs and initiatives with moderator, Betty Rudolph (FDIC).



CRA subject matter expert panel featuring Jessica Farr (Federal Reserve), Pamela Freeman (FDIC), and Andrea Shearin (OCC).

The Connect and Collaborate sessions provided opportunities for attendees to engage in one-on-one conversations with federal banking regulatory subject matter experts regarding supervisory topics that included: Capital Management, Liquidity Management and Interest Rate Risk, Third Party Oversight, Commercial Real Estate, FedNow Service, Bank Term Funding and Discount Window, Special Purpose Credit Programs, and the Emergency Capital Investment Program (ECIP). Attendees were also provided an opportunity to join their regulator for lunch for an informal discussion on trending topics and to exchange ideas on navigating changing environments.

The large and regional bank attendees joined the conference during the first day's closing panel as all participants were able to engage in a dialogue with regulatory experts from the three sponsoring agencies regarding the final interagency rule to modernize the Community Reinvestment Act (CRA) regulations.

The conference concluded with networking roundtables held on the second day where MDIs and CDFI banks had the opportunity to meet one-on-one with large and regional banks that they were matched with based on a completed Collaboration Inventory form that listed various partnership and collaboration categories derived from qualifying activities outlined in the CRA. These meetings allowed large and regional banks an opportunity to initiate discussions that could lead to partnerships that would be supportive of mission-driven banks. The bankers provided very positive feedback on the information and networking opportunities that were provided during the conference.



Whitney Toussaint (FDIC) providing introductory remarks for the networking roundtable session.



MDI and CDFI bank CEOs participating the networking roundtables with large and regional bank CEOs.

Policies

In October 2023, the FDIC, Federal Reserve, and OCC adopted a final rule to strengthen and modernize the CRA. The final rule continues to encourage banks to expand access to credit, investment, and banking services in low- and moderate-income communities. The Final Rule updates the CRA regulations to adapt to changes in the banking industry, including mobile and online banking; provides greater clarity and consistency in the application of the regulations; and tailors performance standards and data collection to bank size and type.

By establishing a clear and straightforward standard that allows a bank's loans, investments, and services with MDIs, Women's Depository Institutions (WDIs), Low-Income Credit Union (LICUs), and CDFIs to receive community development consideration, the final rule will increase certainty and transparency concerning treatment of activities in partnership with these entities relative to former practice.

The agencies included several provisions focused on activities with these entities including adding new definitions for MDIs, WDIs, LICUs and CDFIs; specifying that retail lending-focused partnerships with these entities will be considered when assessing the responsiveness of a bank's credit products under the Retail Services and Products Test; the creation of a new community development category that comprises activities with MDIs, WDIs, LICUs or CDFIs; clarifies that community development loans, investments and services undertaken by any bank in cooperation with these entities will receive consideration; describes that all community development activities with MDIs, WDIs, LICUs, and CDFIs receive CRA consideration, regardless of geography; and includes an impact and responsiveness factor for bank activities with these entities to recognize these activities as receptive and effective.

Advocacy

It is important to promote the visibility of MDIs, to tell their stories, and showcase the important role they play in their communities.

In 2023, the FDIC recorded four videos of MDI executives sharing their institutions' "[Origin Stories](#)," highlighting the reasons their institutions were formed, and describing how they have served their communities over time.



MDI CEO Alden McDonald

The FDIC also continued recording the FDIC Podcast Series, *Banking on Inclusion*, to showcase public- and private-sector efforts to preserve and promote MDIs and advance diversity and inclusion across financial services. The joint series discussed the important role of minority-owned and -operated institutions within the broader financial services sector. One episode was published in 2023 addressing topics that are critical to the minority, LMI, and rural communities they serve where families often lack access to financial services. Throughout the year, senior

agency leaders emphasized the significance of mission-driven banks in numerous external speaking engagements and through posts on FDIC social media channels and its website.

During the year, the FDIC continued efforts to improve communication and interaction with MDIs and to respond to the concerns of minority bankers. The agency maintains active outreach with MDI trade groups and offers to arrange annual meetings between FDIC regional management and each MDI's Board of Directors to discuss issues of interest. The FDIC conducts an annual survey to obtain feedback from MDIs and to help assess the effectiveness of the MDI program.

At the conclusion of each examination of an MDI supervised by the FDIC, the staff is available to return to the institution to provide technical assistance by reviewing areas of concern or topics of interest to the institution. The purpose of return visits is to assist management in understanding and implementing examination recommendations, not to identify new problems.

Outreach, Technical Assistance, and Education

Through its public website (www.fdic.gov), the FDIC invites inquiries and provides contact information for any MDI to request technical assistance at any time. In 2023, the FDIC provided 152 individual technical assistance sessions on approximately 38 risk management, consumer compliance, and resolution topics, including:

- Applications for branch openings and closures,
- Anti-Money Laundering/Countering the Financing of Terrorism,
- Community Reinvestment Act,
- Compliance Management,
- Capital Planning and Management,
- Current Expected Credit Losses accounting methodology,
- Corporate Governance and Strategic Planning,
- Fair Lending,
- Funding and liquidity,
- Home Mortgage Disclosure Act,
- Information technology risk management and cybersecurity,
- Internal audit, and
- Unfair or Deceptive Acts or Practices.

In response to questions raised by MDIs, the FDIC hosted two interagency technical assistance webinars along with the Federal Reserve and OCC to discuss supervisory expectations for MDIs and CDFI banks awarded funds from the U.S. Treasury Emergency Capital Investment Program and other new investments. The webinars addressed bank management's questions regarding the FDIC's examination approach for FDIC-supervised MDIs and CDFI banks deploying the funds. FDIC staff discussed several risk management practices institutions must consider when anticipating significant asset growth, expanding into new markets, and developing new product offerings. Staff also addressed questions regarding strategic and capital planning associated with new investments and awards.

The FDIC also held outreach, training, and educational programs for MDIs through conference calls and regional banker roundtables. In 2023, topics of discussion for these sessions included many of those listed above, as well as liquidity, interest rate risk and deposit monitoring practices, accounting, emerging risks and areas of concern, commercial real estate trends and activity, information technology vendor management, and industry and customer reactions to bank failures.



Building Internal Capacity

In 2023, the FDIC continued an initiative that started in December 2022, of providing MDI Program refresher training to all examination and supervisory staff responsible for the supervision of MDIs. The training has focused on awareness of internal processes and procedures related to examining MDIs, as well as the importance of understanding the often unique business models of MDIs and applying that understanding and other factors when assessing performance and assigning ratings. The training provides information and case studies on many of the new funding sources coming into MDIs and CDFI banks, as well as information regarding tools to help understand the communities served by MDIs.

The OMCDB routinely updates and creates resources for examination and supervisory staff to ensure staff have the tools to perform duties associated with the supervision of MDIs. The FDIC also continued quarterly meetings of its interdivisional task force on MDIs to share information, identify new opportunities for supporting mission-driven banks, and ensure appropriate resources support program initiatives.

FAILING INSTITUTIONS

In accordance with Section 308 of FIRREA and FDIC policy, the FDIC seeks to preserve the minority character of failing institutions before and during the resolution process. The FDIC provides ongoing supervisory oversight of institutions prior to failure, through regular on-site examinations, visitations, off-site monitoring, and through many offers of technical assistance.

In the event of a potential MDI failure, the FDIC contacts all MDIs nationwide that qualify to bid on failing institutions. The FDIC solicits qualified MDIs' interest in the failing institution and discusses the bidding process. The FDIC also provides technical assistance regarding completion of the bid forms and use of the FDIC's secured website for conducting due diligence. During the resolution process, the appropriate Federal and State regulators must clear institutions to bid on the failing bank.

The FDIC provides a two-week franchise marketing window exclusively for MDIs. During this window, the FDIC contacts all qualified MDIs on the bid list to ensure they received an invitation to bid and provides full access to the data room if an MDI is interested. The FDIC also describes the failing bank transaction and offers technical assistance on the bidding process. Following the two-week period, the FDIC invites all other qualified bidders to the failing bank project.

No MDIs failed in 2023.