

Minority Depository Institutions Designation Process

Background and Criteria

Section 308 of *the Financial Institutions Reform, Recovery, and Enforcement Act of 1989* (FIRREA) establishes several goals related to minority depository institutions (MDIs): (1) preserving the number of MDIs; (2) preserving the minority character of institutions in cases involving mergers or acquisition; (3) providing technical assistance to prevent insolvency; (4) promoting and encouraging creation of new MDIs; and (5) providing for training, technical assistance, and educational programs.

Section 308 of FIRREA defines a “minority depository institution” as any Federally insured depository institution (IDI) where 51 percent or more of the voting stock is currently owned by one or more “socially and economically disadvantaged individuals.” The term “minority” is defined by Section 308 of FIRREA as any “Black American, Native American, Hispanic American, or Asian American.”

The FDIC’s *Statement of Policy Regarding Minority Depository Institutions (Policy Statement)* describes the following criteria to be used by the FDIC when assessing an institution’s designation request to be considered an MDI:

1. IDI where 51 percent or more of the voting stock is currently owned by minority individuals.¹ This includes institutions collectively owned by a group of minority individuals, such as a Native American Tribe.

Or

2. IDI where a majority of the board of directors is minority and the community that the institution serves is predominantly minority.

MDIs are identified according to Minority Status Codes used by the FDIC for its internal purposes. The Minority Status Codes describe the institution’s minority group(s) and indicate whether the institution qualifies as an MDI based on the ownership criteria or the board and community served criteria of the *Policy Statement* definition. Below is a chart with the list of the codes.

Minority Status		Minority Status by Type	
B	Black or African American	1	Black or African American Owned
H	Hispanic American	2	Hispanic American Owned
A	Asian or Pacific Islander American	3	Asian or Pacific Islander American Owned
N	Native American or Alaskan Native American	4	Native American or Alaskan Native American Owned
M	Multi-Racial American ²	5	Multi-racial American Owned
		6	Majority of the Board is Black or African American, serving a minority community
		7	Majority of the Board is Hispanic American, serving a minority community
		8	Majority of the Board is Asian or Pacific Islander American, serving a minority community
		9	Majority of the Board is Native American or Alaskan Native American, serving a minority community
		10	Majority of the Board is Multi-racial American, serving a minority community

¹ Ownership must be by U.S. citizens or permanent legal U.S. residents to be counted in determining minority ownership.

² Multi-racial indicates ownership or management including more than one type of minority as defined by Section 308 of FIRREA.

Request for Designation as an MDI

FDIC supervised institutions or applicants for deposit insurance may submit a written request that the FDIC recognize the institution as an MDI at any time to the appropriate regional office. Such requests may also be submitted in connection with a merger application or a change in control notice. The written request should be submitted to the appropriate regional director, and be signed by a duly authorized officer or representative of the institution or applicant.

Content of Designation Request

The request should include a clear and concise statement describing the definition in the FDIC's *Policy Statement* that institution management or the applicant believes that it meets, and contain sufficient supporting documentation for the FDIC to evaluate the request for the designation. The request should include the following:

1. Name and address of requesting institution or applicant.
2. Primary points of contact(s).
3. Identification of minority category of the institution or applicant (Black or African American, Hispanic American, Asian or Pacific Islander American, Native American or Alaskan Native American, or Multi-racial American).
4. Statement indicating whether the MDI designation is based on (A) ownership, or (B) board composition and community served.
 - A. If the request is based on the ownership definition, supporting evidence and documentation (*i.e.*, shareholder register or comparable data) to confirm that 51 percent or more of the currently issued voting stock is owned by minority individuals or a minority group. The information should include the stockholder name, number of shares owned, and each individual's minority category. The shareholder information should also note if the individual is a U.S. citizen or permanent legal U.S. resident in order to ensure consistency with the statutory requirement.

NOTE: When assessing the percentage of minority owned stock, any currently issued non-voting stock must be excluded from the calculation.
 - B. If the request is based on the board composition and community served definition, a list of the institution's or applicant's Board members and each individual's minority category. The request should also include a description of the minority community(ies) served or to be served (e.g., census tracts, county, Core-Based Statistical Areas, or cities) and a breakdown of the demographics (race and ethnicity) within the Relevant Geographic Market (RGM). The RGM includes the areas where the offices are located and the areas from which those offices derive the predominant portion of their loans, deposits, or other business. In delineating the RGM for an MDI, the FDIC will consider the market served to verify that at least 51 percent of the population within the market is comprised of minorities.

Evaluating the Request

FDIC staff will evaluate the request and provide an appropriate assessment of the institution's or applicant's eligibility. If the submitted documentation indicates that the institution or applicant has met the eligibility requirements set forth by Section 308 of FIRREA and the *Policy Statement*, the institution or applicant will be advised by letter of the FDIC's recognition of the institution as an MDI. The letter will describe the resources available through the MDI Program, and instruct the institution or applicant to maintain documentation supporting its continued eligibility for periodic evaluation by examiners during onsite reviews.

If it is unclear whether the institution or applicant meets the eligibility criteria, staff will contact the institution or applicant to discuss any questions and/or resolve any issues.