Introduction

The Federal Deposit Insurance Corporation (FDIC) recognizes that minority depository institutions (MDIs) play a unique role in promoting economic viability in minority and low- and moderate-income (LMI) communities. Preserving, promoting, and building capacity in these institutions are high priorities for the FDIC.

In 1989, Congress enacted the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), which recognized that minority banks can play an important role in serving the financial needs of historically underserved communities and minority populations. As a result, FIRREA established five goals related to MDIs: to preserve the number of MDIs; to preserve the minority character in cases involving merger or acquisition of an MDI; to provide technical assistance to help prevent insolvency of MDIs; to promote and encourage creation of new MDIs; and to provide training, technical assistance, and educational programs for MDIs.

FIRREA defines an MDI as "any depository institution where 51 percent or more of the stock is owned by one or more socially and economically disadvantaged individuals." The FDIC's Board of Directors adopted a Policy Statement Regarding Minority Depository Institutions in 1990 and updated it in 2002.[1] The statement set out the framework for how the agency would support the five statutory goals. It also established a process whereby an insured depository institution can choose MDI status if a majority of its board of directors is composed of minority individuals and the community that the institution serves is predominantly minority. Institutions not already identified as MDIs can request to be designated as such by certifying that they meet the above definition. Requesting designation as an MDI is voluntary.

Over the past five years, the FDIC conducted a comprehensive research study on MDIs, published a resource guide to promote collaboration between MDIs and other financial institutions, held several MDI roundtables and conferences, and met with MDI trade groups and individual MDIs to provide technical assistance and share ideas for preserving MDIs.

In the FDIC's 2018 Annual Report,[2] Chairman Jelena McWilliams noted in her introductory message that in 2019, the FDIC would increase its engagement with MDIs, as well as its focus on expanding access to and use of mainstream financial services to those who are unbanked and underbanked so that MDIs are better positioned to serve their communities.

This study accomplishes one of several initiatives that the FDIC is undertaking in 2019 to support MDIs and build capacity. It also helps to fulfill the statutory goals in Section 308 of FIRREA and builds on analytical work in the original 2014 MDI research study,[3] starting with an analysis of the demographic designations of MDIs and how the MDI segment of the financial services industry has changed. The remainder of the study explores the geography of MDIs, how MDIs have performed financially, and the role MDIs have played in serving the needs of their communities.

A key conclusion of this study is that MDIs have had a substantial impact on the communities they serve. We hope that the study provides valuable information to policymakers, MDIs, and MDI stakeholders, and highlights why it is important to preserve and promote these mission-driven institutions.

[1]Federal Deposit Insurance Corporation, Policy Statement Regarding Minority Depository Institutions, https://www.fdic.gov/regulations/resources/minority/policy.html (2002).

[2]Federal Deposit Insurance Corporation, 2018 Annual Report, https://www.fdic.gov/about/strategic/report/2018annualreport/index-pdf.html (February 14, 2019).

[3]Federal Deposit Insurance Corporation, "Minority Depository Institutions: Structure, Performance, and Social Impact," https://www.fdic.gov/bank/analytical/quarterly/2014-vol8-3/mdi-study.pdf (2014).