PROMOTING INCLUSIVE LENDING DURING THE PANDEMIC: COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS AND MINORITY DEPOSITORY INSTITUTIONS

VIRTUAL HEARING

BEFORE THE

SUBCOMMITTEE ON CONSUMER PROTECTION
AND FINANCIAL INSTITUTIONS

OF THE

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WITNESSES

Wednesday, June 3, 2020

APPENDIX

Additional Material Submitted for the Record

PROMOTING INCLUSIVE LENDING DURING THE PANDEMIC: COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS AND MINORITY DEPOSITORY INSTITUTIONS

Wednesday, June 3, 2020

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSUMER PROTECTION
AND FINANCIAL INSTITUTIONS,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 11:33 a.m., via Webex, Hon. Gregory W. Meeks [chairman of the subcommittee] presiding.

Members present: Representatives Meeks, Velazquez, Clay, Heck, Foster, Tlaib, Porter, Pressley, McAdams, Wexton, Green; Luetkemeyer, Tipton, Loudermilk, Budd, Kustoff, and Riggleman,

Ex officio present: Representatives Waters and McHenry.

Chairman MEEKS. The Subcommittee on Consumer Protection and Financial Institutions will come to order. Without objection, the Chair is authorized to declare a recess of the subcommittee at any time. Also, without objection, members of the full Financial Services Committee who are not members of this subcommittee are authorized to participate in today's hearing.

Members are reminded to keep their video function on at all times, even when they are not recognized by the Chair. Members are also reminded that they are responsible for muting and unmuting themselves, and to mute themselves after they are finished speaking. Consistent with the regulations accompanying H.R. 965, staff will only mute Members and witnesses as appropriate and not recognize to avoid inadvertent background noise. Members are reminded that all House rules related to order and decorum apply to this remote hearing.

Today's hearing is entitled, "Promoting Inclusive Lending During the Pandemic: Community Development Financial Institutions and Minority Depository Institutions."

This is the Financial Services Committee's first-ever virtual hearing. So, let's all be patient with one another and with ourselves, and be kind to our witnesses who have graciously joined us in testing this new phase of committee work.

And again, please, everyone remember to put yourselves on mute when you are not speaking.

I will now recognize myself for 4 minutes to give an opening statement. I want to thank Chairwoman Waters, Ranking Member McHenry, my colleague, Mr. Luetkemeyer, who is the ranking member of this subcommittee, and all of my other colleagues for your participation in today's hearing.

We are living in unprecedented times, and our nation's unemployment rate is the highest since the Great Depression: 43 million Americans have lost their jobs since the start of the COVID-19 pandemic; and over 100,000 Americans have died, and many more are expected to die before the pandemic is over. In Queens, New York, where my district lies, they have lost more people than most States in the union. And now, compounding our nation's suffering and turmoil, the persistence of violence and brutality against Black men and women across this nation has sparked a nationwide movement for desperately-needed reforms.

We are a great nation. And I continue to believe in the potential and promise of America. I have to say that the last few months have amplified what we have all been observing for years, and what many places of worship have taken to saying: We are all in the same storm, but we are not all in the same boat. While some consult in place and work seamlessly from home and have their every need and convenience delivered to their doorsteps from the convenience of an app, millions more have lost their jobs, or are forced to literally risk their lives to perform tasks such as delivering the mail, keeping essential stores and services open, and, of course, ensuring the continued availability of healthcare.

While the connected few big companies, universities with massive endowments, and even professional sports teams all inappropriately assessed millions of dollars from the PPP program, the small employers, the family businesses, and the local nonprofits for which Congress established the program were forced to shut their doors and to furlough millions of their employees. While COVID-19 does not discriminate, it has laid bare the structural inequalities in our healthcare, education, banking, and transportation systems, and, yes, even in our system of police and justice.

The Black and Hispanic communities have borne a disproportionate burden in this pandemic, as have Native-American communities, which we don't talk about enough. Congress moved quickly to establish and fund programs to help middle-class and low-income families, which were already struggling to make ends meet in what was supposedly a prospering economy.

Congress moved expeditiously to structure and to fund programs to keep homeowners and renters in their homes, and to avert the next housing crisis. We passed record funding to support small businesses and entrepreneurs, who form the backbone of our nation's employment engine. But we need accountability on the implementation of these programs, and confirmation that Congress' intent to reach the most vulnerable and those most at risk has been followed.

I would like to thank the witnesses for their participation here today, and for their work in serving the underbanked and vulnerable communities, and I look forward to a robust discussion about how we can leverage our banking laws and Community Development Financial Institutions (CDFIs) to achieve a balanced and equitable recovery from these dark days.

I now yield to the ranking member of the subcommittee, Mr. Luetkemeyer, for 4 minutes.

Mr. LUETKEMEYER. Thank you, Chairman Meeks. And thank you to all of the witnesses for joining us today. Today's hearing focuses on promoting inclusion in lending, particularly with respect to Minority Depository Institutions (MDIs), and Community Development Financial Institutions (CDFIs). As we know, MDIs and CDFIs make up a significant portion of the banking services for minority-owned businesses, in majority/minority neighborhoods.

In light of the events over the last few weeks, it is important that we conduct this hearing with the understanding that every member of this subcommittee agrees that there is no place for racism in banking, and, more importantly, in our society. We have all seen the horrific video of the death of George Floyd. There is not a person present at this hearing who isn't disgusted by the actions of that police officer, and the officers at the site who did nothing to stop it. I can't imagine the pain Mr. Floyd's family is feeling, and I hope they will be able to find some peace and justice that must and will be served.

While banking policy can seem menial at a time when the country is recovering from a once-in-a-century pandemic, and as protests continue around the country, the services that our witnesses and financial institutions across the U.S. provide are fundamental to rebuilding our economy.

Unfortunately, the damage left in the wake of the looting and rioting by people who have hijacked peaceful protests will also require significant investment and work from financial institutions on top of what was already a monumental task. Congress and the Administration took decisive action to pass the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the wake of the economic shutdown due to the novel coronavirus. This legislation included many provisions designed to provide relief and forbearance to American families and businesses.

Most notably, it established the Paycheck Protection Program (PPP). At first, Congress appropriated $350 billion for the PPP. Not only did Treasury have to set up this program within 2 weeks, but the program sent out more funding in 14 days than the Small Business Administration (SBA) had done in 14 years. The success of the first round led Congress to appropriate an additional $310 billion for PPP.

However, to insure small institutions, one of the drivers of this program, Congress set aside $30 billion for financial institutions with below $10 billion in assets, and another $30 billion for those with between $10 billion and $50 billion in assets. The latest PPP numbers on May 30th showed that the average PPP loan is $114,000, and roughly 80 percent of loans made are below $100,000. Furthermore, the number-one industry receiving PPP funding is the critical healthcare and social assistance sector. MDIs and CDFIs have played a vital role in thisprogram as well by making a combined $15.8 billion in loans. Put in perspective, that is more money than 42 States received under this program.

What is most notable about these statistics is that 170 Minority Depository Institutions made 107,000 loans, totaling more than $10 billion. That averages out to 630 loans per Minority Depository Institution, averaging $95,000 per loan. While these numbers express the success of the PPP program, there is no government program that goes off without a hitch. Since the passage of the CARES Act, I have had conversations with bankers across the country from Washington State to Florida, and heard many concerns that financial institutions, particularly smaller community institutions, were having with the program. I know there were many concerns with SBA's e-tran portal, loan documentation, and forgiveness documentation, just to name a few.

With the demand for PPP loans slowing down and the Congress looking to take action, amending the program to extend the covered period and offer forgiveness parameters, we should take this opportunity to examine what issues have plagued institutions of all types, and specifically, MDIs and CDFIs.

I thank all of you for being here today. I look forward to hearing your testimony. With that, Mr. Chairman, I yield back.

Chairman MEEKS. Thank you, Mr. Ranking Member.

Is Chairwoman Waters here? If not, I will yield 1 minute to the ranking member of the Full Committee, Mr. McHenry, for an opening statement.

Mr. MCHENRY. Thank you, Chairman Meeks and Ranking Member Luetkemeyer. I welcome the witnesses' discussion today. I think we all have an interest in ensuring that the broad base of the populous in our country, whether rural or urban, whether living on the margins or those who have newly found themselves living on the margins, that they have equal access to financial products, and especially the ones we urgently put in place in a bipartisan way through the CARES Act.

So, I welcome the discussion today. It is a very important and topical one, given the state of what is happening across America today.

Finally, on a personal note, I think we all were deeply affected by what occurred in Minneapolis, and what is now occurring across the country. There is something sickening and awful about what we witnessed happen to Mr. Floyd. This should not occur, we are better than that as a populace and a people, and we should respond together.

So with that, thank you, and I look forward to the witnesses' testimony.

Chairman MEEKS. Thank you, Mr. McHenry.

Now, let me introduce the witnesses. First, Ms. Lisa Mensah, president and chief executive officer of the Opportunity Finance Network (OFN). Under her leadership, OFN helped CDFIs leverage public funding with private investment from mainstream financial institutions, socially responsible investors, and philanthropic partners in distressed communities across America.

In 2014, Ms. Mensah was nominated by President Obama and confirmed by the United States Senate for the position of Under Secretary of Agriculture for Rural Development. In this role, she managed a long portfolio of $215 billion, directing annual investments of $30 billion in critical infrastructure for rural America. Ms.

Mensah developed new partnerships with private and philanthropic partners to generate $128 million in private grants and loan guarantees for the persistently poor rural communities.

Before her appointment as Under Secretary, she was the founding executive director of the Initiative on Financial Security at the Aspen Institute, where she led a national bipartisan effort for leaders of financial institutions, nonprofit executives, and experts to promote savings, homeownership, and retirement policies and products.

She began her career in commercial banking at Citibank before joining the Ford Foundation, where she was responsible for the country's largest philanthropic grant/loan portfolio of investments in rural America.

Second, Mr. Michael T. Pugh, president and chief executive officer and board member of the Carver Federal Savings Bank. A banking veteran of more than 22 years, Mr. Pugh has led teams of up to 600 associates in retail business banking, commercial and residential lending, and call center operations. He has led bank technology integrations, launching new lines of business, and executing new growth market strategies.

Prior to joining Carver in August of 2012, Mr. Pugh worked at Capital One as a senior vice president, a regional executive, and market president of the Eastern Maryland, Delaware, and Washington, D.C. markets, where he was responsible for revenue production, customer service, and bank operations for approximately 75 banking centers and $3 billion in deposits.

In addition, he led the bank's community development strategy for 1,200 associates in 8 counties. Mr. Pugh is a board member of several not-for-profit organizations including the Community Development Bankers Association, and the Society for Financial Education and Professional Development, where he serves as its Chair.

Third, Mr. Samuel C. Scott, chairman, Black Chicago Tomorrow, and co-chair of American Business Immigration Coalition. Mr. Scott founded Black Chicago Tomorrow to pull together the resources of the public and private sector, to address the needs of vulnerable and minority communities of Chicago, and to help set them on a path to a brighter future.

Mr. Scott also serves on the board of the American Business Immigration Coalition, which provides a strong and effective voice for American businesses under the national immigration conversation, and advocates for sound, coherent immigration reform, and the integration of immigrants into our economy as consumers, workers, entrepreneurs, and citizens.

Mr. Scott is the retired chairman, president, and chief executive officer of Corn Products International, today known as Ingredion, Incorporated. He also serves on the board of the Bank of New York Mellon, where he is chairman of the Corporate Governance, Nominating and Social Responsibility Committee. He served on the board of Motorola Solutions Incorporated from 1993 to 2019, retiring as their lead director. He also served on the board of Abbott Laboratories from 2007 to 2020. And he serves on the boards of Northwestern Medical Group and the Chicago Council on Global Affairs.

He recently retired from the boards of the Chicago Urban League and World Business Chicago. He is also the chairman of Chicago Sister Cities International.

And our final witness will be Mr. James H. Sills III, president and chief executive officer of M&F Bank, testifying on behalf of the Independent Community Bankers of America (ICBA). Mr. Sill has over 30 years of banking and technology management experience. His background includes executive experience with large-scale banking operations, community banks, and governmental organizations. He has served as president and CEO of M&F Bank and M&F Bancorp since 2014.

Prior to this position, Mr. Sills was appointed by Delaware Governor Jack Markell as the cabinet secretary and chief information officer for the State of Delaware, Department of Technology and Information, in January of 2009. Mr. Sills was responsible for providing strategic direction and management for information technology operations supporting over 34,000 end users. In 2014, Mr. Sills was selected as IT Executive of the Year by Government Technology Magazine.

Prior to starting his own company in 2007, Mr. Sills was an executive vice president of MBNA America Bank, now Bank of America, where he served as the director of corporate technology solutions for the $80 billion U.S. Card Division. Prior to that, he served as the president and CEO of the Memphis First Community Bank (now Landmark Community Bank) in Memphis, Tennessee.

Mr. Sills serves on a number of boards, including the North Carolina State Chamber of Commerce, the Carolina Small Business Development Fund, the ICBA Minority Banking Council, the FDIC Minority Banking Advisory Committee, and the Federal Reserve Bank of Richmond.

So, we have five distinguished witnesses here today, and you will each be recognized for 5 minutes for an oral presentation of your written testimony. And without objection, your written statements will be made a part of the record.

I now recognize Ms. Mensah for 5 minutes.

STATEMENT OF LISA MENSAH, PRESIDENT AND CHIEF EXECUTIVE OFFICER, OPPORTUNITY FINANCE NETWORK (OFN)

Ms. MENSAH. Thank you, Chairman Meeks, Ranking Member Luetkemeyer, and members of the subcommittee.

As you have all noted, these are sober times. Our country is reeling from a pandemic, the economy is in distress, and there is growing civil unrest brought on by years of systemic racism and oppression. Yet, I am honored to be here today to talk about inclusive lending and how Community Development Financial Institutions (CDFIs) can be partners in the critical work facing our nation.

The CDFI industry was borne out of the civil rights movement, and the riots of the 1960s and 1970s, and has grown to more than 1,000 institutions, managing more than $222 billion in assets. Opportunity Finance Network (OFN) is a national network of more than 300 CDFIs, and we have a deep history and proven experience. Our customers are 85 percent low-income, and 58 percent people of color. CDFIs provide capital, plus its financing, and financial coaching, and business counseling. We blend private and public capital to provide responsible and affordable financing in low-wealth markets.

Our most important public sector partner is the Treasury Department CDFI Fund, which provides equity capital in the form of grants to strengthen CDFIs and help us grow. CDFIs are the financial first responders in times of crisis, during recessions, natural and man-made disasters, and periods of civil unrest. When banks restrict lending, CDFIs lean in. For example, after the protests and uprising in Baltimore following the death of Freddie Gray, nearly 400 businesses were damaged. CDFIs, like the Latino Economic Development Center, were there. They were providing the microloans to help businesses survive when aid was slow to arrive from the government.

In the aftermath of Michael Brown's death, the 2016 Ferguson Commission explicitly highlighted the work of CDFIs, which led to the creation of the St. Louis CDFI Coalition, a partnership among eight institutions that deploys loans and resources to some of St. Louis' most economically distressed counties.

From the very first days of the COVID-19 crisis, CDFIs have understood the threat facing our borrowers, and immediately reached out with whatever accommodations they could to ease the economic disruption, principal and interest payments essentials. They made emergency loans or other emergency products to help borrowers weather the crisis.

And after you enacted the CARES Act, CDFIs were eager to become lenders under the Paycheck Protection Program, so that very small and minority-owned businesses could get access to this valuable emergency relief.

Yet, as you have noted, the early days of PPP were frustrating, as the program rules prevented many CDFIs well-positioned to reach the hardest-hit small businesses in our rural communities, and in our urban, and our Native communities, from qualifying as PPP lenders.

The first round of first-come, first-served, funding was disbursed quickly, primarily by the largest financial institutions to their existing customers. That meant that too many small and minority-owned businesses could not obtain a PPP loan. But thankfully, there was bipartisan recognition that leaving CDFIs and MDIs out of the PPP meant that too many of their customers were left out. And OFN applauds the regulatory changes and set-asides that were put in place recently for the second round of funding.

To date, CDFIs have made more than $7 billion in loans which have gone to very small, and rural, and Native, and minority businesses. Last week's announcement of a further set-aside is so welcome. And we recommend that the Administration create a similar set-aside for MDIs.

So now, while PPP is helpful in emergencys in short-term release, vulnerable small businesses need much more as they tackle the difficult work of reopening and recovery. The nation's CDFIs must be strong to support medium- and long-term economic recovery in the low-wealth communities where we operate.

To meet this challenge, CDFIs need a new infusion of equity capital, and Congress must increase support of the CDFIs during this critical stage by approving $1 billion in rapid response grants for the CDFI industry. The House took an important step, and we were so pleased to see the $1 billion appropriation to the Department of the Treasury's CDFI Fund, included in the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act.

In closing, I want to share a note that I received from a CDFI in Minneapolis. He shared that, "Our buildings are in a war zone with buildings being burned down on either side of the midtown global market, and a looter killed across the street. This is our community, and we will survive and rebuild."

So when the cameras leave and the media moves on to other stories, CDFIs will remain. Congress must help these CDFIs to be stronger than ever. Inclusive lending was critical before the pandemic, it is critical today, and it will be critical in the days ahead as the nation works to build a more equitable and inclusive economy. Thank you so much.

[The prepared statement of Ms. Mensah can be found on page 42 of the appendix.]

Chairman MEEKS. Thank you, Ms. Mensah.

I now recognize Mr. Pugh for 5 minutes.

STATEMENT OF MICHAEL T. PUGH, PRESIDENT, CHIEF EXECUTIVE OFFICER AND BOARD MEMBER, CARVER FEDERAL SAVINGS BANK

Mr. PUGH. Thank you. Good afternoon, Chairman Meeks, Ranking Member Luetkemeyer, and members of the subcommittee. It is my pleasure to be here with you today. And thank you for inviting me to discuss the important work of Community Development Financial Institutions and Minority Depository Institutions during the COVID health and economic crisis.

As mentioned, my name is Michael Pugh, and I am the CEO and president of Carver Federal Savings Bank, a CDFI and an MDI based in New York. I also serve on the board of the Community Development Bankers Association (CDBA), and Chair the membership committee. The CDBA is the national trade association and voice for banks that are certified as CDFIs.

First, I want to thank the members of this subcommittee for their support of CDFIs and MDIs, and particularly for approving $1 billion of funding through the CDFI Fund in the HEROES Act; and second, I wish to acknowledge the ongoing events associated with George Floyd and countless others, which underscore the outcry of communities insisting on equality.

Some of the recent approaches may by controversial, yet the demand for equality in our great nation will inevitably improve our future.

Carver Federal Savings Bank is a federally-chartered savings bank founded in 1948 to serve African-American communities which did not have equality because of limited access to mainstream financial services. Despite our 72-year history, there is much more to do. The outcome of our work should be the economic empowerment and dignity of all people, regardless of their racial background. Carver is a CDFI because of our dedication to the economic viability of our community.

We provide access to reasonably priced loans, and no-cost financial education to aspiring minority- and women-owned businesses.

Also, we have been an influential contributor to the New Markets Tax Credit Program in greater New York City. I am especially proud of my colleagues who have served as financial first responders during the COVID-19 crisis. This crisis has hit our communities especially hard. Black and Latino people in New York represent a higher percentage of COVID-19 deaths than the overall population, at least partially due to their overrepresentation in front-line positions in essential industries.

Historic exclusions to mainstream finance leaves us economically vulnerable. Black small-business owners are approved for business loans at a rate just half that of white businesses. People of color represent about 40 percent of the population, but about only 20 percent of the nation's business owners with employees. Minorities comprised 37 percent of the labor force in February, but accounted for 58 percent of the newly unemployed in March.

Like all CDFIs, at least 60 percent of our lending and activities targets low- to moderate-income communities. Carver has also responded through the PPP program. We have made 147 loans, totaling $30 million, and preserving 3,147 jobs, and assisted businesses as diverse as hardware stores, the Greater Harlem Chamber of Commerce, and daycare centers.

I have focused my recommendations on three areas: appropriations for the CDFI Fund; modifying the PPP; and ensuring regulatory flexibility. My strongest recommendation to Congress is to provide at least $1 billion in emergency stimulus to the CDFI Fund.

Also, the PPP must be more flexible. Last week's $10 billion set-aside for CDFIs was exciting, but deployment requires changes. Borrowers have a range of needs, so increasing the non-payroll portion of expenses to 40 percent is insufficient. We ask that you look at that again.

Congress should also extend the application period and rehiring deadlines through December 2020, and make forgiveness simpler for small borrowers. I also recommend that Congress extend a temporary regulatory provision lowering the community bank leverage ratio. It expires after 2 quarters, but should last 5 years. We know that this crisis may take longer. Congress should recognize that recovery will be slowest in low- and moderate-income and minority communities, and help by making sure that practitioners have the tools they need.

In conclusion, I thank Chairman Meeks, Ranking Member Luetkemeyer, and the members of the subcommittee for the opportunity to talk about the work of Carver Federal Savings Bank and the hardships faced by the communities we serve.

Thank you for your time.

[The prepared statement of Mr. Pugh can be found on page 52 of the appendix.]

Chairman MEEKS. Thank you, Mr. Pugh.

I now recognize Mr. Scott for 5 minutes for his testimony.

STATEMENT OF SAMUEL C. SCOTT III, FOUNDER AND CHAIRMAN, BLACK CHICAGO TOMORROW, AND CO-CHAIR, AMERICAN BUSINESS IMMIGRATION COALITION (ABIC)

Mr. SCOTT. Good afternoon, Chairwoman Waters, Ranking Member McHenry, Chairman Meeks, and Ranking Member Luetkemeyer, and members of the subcommittee, thank you for the opportunity to participate in today's discussion.

Today, I would like to talk about some of the problems facing the Black communities in our country and what the COVID-19 pandemic has done to amplify the economic disparities in Black communities. The coronavirus is deadliest for the Black population, both in a health situation and an economic outcome. While our entire nation is suffering immensely from the pandemic, the reality is that members of the Black community are dying at an exponentially higher rate than other groups. In major cities with Black populations between 20, 25, and 30 percent, Black people are dying at double that rate.

Black-owned businesses and nonprofits are at increased risk of being forced to close, as compared to their white counterparts. Black entrepreneurs are routinely shut out of economic opportunities, while their white peers succeed. According to research from the Brookings Institution, white-owned businesses start with 3 times more capital than their Black peers, and only 1 percent of Black business owners are able to secure loans in their first year, as compared to 7 percent of their white counterparts. Without significant intervention, this trend will continue.

We have already seen the entrenchment of such inequities during the opening days of PPP by prioritizing clients that already had existing credit lines in banks. Black businesses and nonprofits found themselves, yet again, excluded from lifesaving relief.

The second round of PPP has been better, but it is still not reaching a majority of the small Black and Brown businesses, and that is why we pushed so hard for a set-aside. With a $10 billion set-aside, the CDFIs and MDIs serve minority businesses. We can at least get some of the money started into the communities that need it most.

Over the past month, ABIC has conducted webinars with small businesses on how to apply for a loan, and how to file for forgiveness. Thousands have attended, but a very small percentage of that group have been minority-owned businesses.

In the Chicago Area, Cook County Board President Toni Preckwinkle heard of our webinars, and she provided money for ABIC to hire a person to locate and bring small Black and Brown businesses to the application process. In one week, this new staff person found over 200 Black-owned businesses, and had an average loan value of $37,000. These are businesses that, for some reason, did not apply or did not know about PPP. ABIC also provided a pro bono accountant to walk these small businesses through the PPP application process, and now they have their money, which came through a local Black bank, owned by a CDFI. Through this process, we learned a lot about what is working and what needs improvement.

But let me step back for a second to speak of some of the root causes of the economic and health disparities within the Black community prior to COVID. I will speak from my experiences in Chicago.

Chicago was, at one time, arguably the Black capital of business in America. We had businesses like Johnson Publishing, Johnson Products, and Soft Sheen. But today, violence is a singular dominating narrative for Chicago, and it has been for a few years. I have been traveling to Chicago for almost 50 years, and have lived there for the past 32 years. I have seen the Black community in Chicago go from its heyday to where it is today. It is that loss and the violence in the City that motivated me to start Black Chicago Tomorrow in 2016 to regain the prominence in the Black community that it once had.

My contention is that no one thing, including PPP, can fix the problems in our community. Our community suffers from violence problems, policing problems, job and career problems, housing problems, educational issues, health and healthcare problems, poverty, and, most importantly, a lack of hope. But we cannot limit examining all of these problems, we have to do things to fix them. These are very complex issues, and one solution does not fit all. All of these issues must be addressed and dealt with at the same time to bring our communities back.

This is a start to doing the right thing today for our small businesses. Without that, there is little hope that we can ever start to deal with these other issues that I have addressed. Ten billion dollars set-aside to reach more minority businesses is encouraging. And I am encouraged that the House has unanimously passed a 24-week extension and greater flexibility in the loan forgiveness process. We hope the Senate will concur quickly, but we still have more to do.

Here are some of my recommendations: first, open the technical assistance community to community-based nonprofits, or 501(c)(3) organizations, to navigate the complex world of institutions, business loans, and document preparation; second, allow small businesses of color to apply for a second round of PPP, and simplify the forgiveness process; and third, provide a long-term recovery plan to develop a coherent policy and programmatic agenda for businesses of color.

In addition, we need one-to-one financing, coaching, regular training and webinars, access to capital, and help with strategies to survive the pandemic. If we implement the current program as intended, and get the money to the small minority businesses that really need it, we do have a chance to save many of them. But as I have said throughout this presentation, much more needs to be done.

Thank you for the opportunity to testify, and I look forward to answering any questions.

[The prepared statement of Mr. Scott can be found on page 60 of the appendix.]

Chairman MEEKS. Thank you, Mr. Scott.

And I now recognize Mr. Sills for 5 minutes.

STATEMENT OF JAMES H. SILLS III, PRESIDENT AND CHIEF EXECUTIVE OFFICER, M&F BANK, ON BEHALF OF THE INDEPENDENT COMMUNITY BANKERS OF AMERICA (ICBA)

Mr. SILLS. Good afternoon, Chairwoman Waters, Chairman Meeks, Ranking Member Luetkemeyer, and members of the subcommittee. I am James Sills, CEO and president of M&F Bank, located in Durham, North Carolina, which is both a Minority Depository Institution and a Community Development Financial Institution.

I testify today on behalf of the Independent Community Bankers of America (ICBA), where I serve as the vice chairman of the Minority Bank Council. Thank you for the opportunity to testify in today's hearing.

We must ensure that the pandemic does not set back the critical policy goal of promoting credit and prosperity in America's minority communities. The social unrest from protests that we are witnessing today, not only in our cities, but in suburbs and in smaller towns as well, only raises the stakes for achieving this goal. Today's hearing is well-timed.

M&F Bank is a $265 million, State-chartered bank, with over 70 employees. We are headquartered in Durham, and we serve the five largest urban markets in North Carolina. Let me give you a little bit of background on M&F Bank. M&F Bank was founded in 1907 by a group of 9 businessmen in Durham to serve African Americans who had few opportunities to obtain credit or other banking services. Our rich history continues to form our values and our mission today: to promote personal and community development to a diverse customer base; and to continue to be the financial literacy leader helping customers make the right financial decisions.

I would like to focus my remarks on the Paycheck Protection Program, or PPP, and refer you to my written statement for discussion of additional recommendations for strengthening MDIs and CDFIs to promote inclusive lending.

The PPP has played a critical role in helping small businesses maintain their employment, survive, and prepare for the reopening of the economy. We were an active Small Business Administration (SBA) lender before the PPP, and the program fit our customer profile perfectly: small businesses; the self-employed; nonprofits; and churches. As an MDI and as a CDFI, we enjoy strong connections to our communities, silent relationships, and a feedback loop where we are already in place before the launch of the PPP. When there was a doubt or a question, our borrowers simply picked up the phone to resolve it.

Overall, the PPP is definitely working as intended. We estimate that M&F's PPP loans have supported the retention of some 1,200 employees. I am confident that other MDIs and community banks generally have had similar results. To date, we have closed 130 loans, totaling $12.6 million. In phase one, our average loan size was $155,000; in phase two, it was $57,000.

The PPP has had a significant positive impact, and we are undoubtedly in a better place economically because of the program. Thousands of community banks worked around the clock to process a flood of applications in a very short timeframe. I met with SBA

Administrator Carranza last week in Charlotte, North Carolina, and I was impressed with her commitment to making the program work.

ICBA is supportive of provisions in the Paycheck Protection Program Flexibility Act of 2020, H.R. 7010, which passed the House last Friday. The bill provides more flexible parameters for spending PPP funds, and a more realistic timeframe of 24 weeks in which they must be spent. These changes will help businesses remain open and avoid layoffs.

While these two provisions are critical, ICBA supports additional changes to the forgiveness process, which is far too complex. It is my fear that we will be working with borrowers on forgiveness applications for the remainder of 2020. This will be a distraction from the critical, the fundamental task of lending money to help rebuild local economies, working with troubled borrowers, and reopening our branches in a safe manner for the public.

Finally, I would just like to note that the $30 billion carveout of phase two for MDIs and community banks made a real difference in terms of channeling funds to minority firms. Again, I refer you to my written statement for a broader discussion on the theme of inclusive lending. Thank you, again, for convening today's hearing, and for the opportunity to offer my perspective.

[The prepared statement of Mr. Sills can be found on page 63 of the appendix.]

Chairman MEEKS. Thank you for your testimony, Mr. Sills.

I now recognize myself for 5 minutes for questions.

My first question goes to you, Mr. Pugh. Your bank is one of the last remaining Black MDIs in the City of New York. In fact, there are very few, period, and they are closing all around this country. You have been active there, and a number of Members from New York happen to be on this committee. After the PPP program was offered, my office was swamped by calls from local minority small businesses complaining about being summarily rejected from applying by big banks, and having their local community bank unable to even assess the SBA platform.

Can you please speak to these challenges, and how our efforts to carve out funds for MDIs and CDFIs change your capacity to serve local minority small businesses, if it did?

Mr. PUGH. Sure, I would be happy to. I think that there were several operational issues that were associated with being able to get the program up and running. First and foremost, we saw that some of the largest financial institutions were able to take care, special care of their larger businesses, that were existing banking relationships. This created a bottleneck, and ultimately prevented the true small businesses from having the opportunity to be able to participate in the first tranche of the program.

When you look at the SBA's definition of small businesses, it is much larger in scale relative to the small businesses that CDFIs are focused on every day.

If you think about some of major communities that we focus on, like Carver Federal Savings bank, small businesses with less than 75 employees are crucial to the overall economic empowerment and systemic growth of the communities. Yet, those businesses were not able to necessarily participate in that first tranche, because of the bottleneck and the volume again, that was pushed through the program from the larger financial institutions that have bandwidth and capability to get the big loans into the first tranche.

The other thing I would offer is that for nonprofit organizations in our communities, they remain very important. They play a key role in terms of helping communities thrive. And the SBA did not have a system that was set up in design to process and accept loans for nonprofit organizations under the PPP, so that required some adjustment and finagling to be able to get them into the system.

Truly, we saw much better results in the second tranche as a result of the work from Congress and the efforts that were made to be able to get the program operationalized at a different level, but I would offer to you those challenges I presented, just two of them, and there were, frankly, many more.

Chairman MEEKS. Thank you. I have a question I want to ask you, as well as Mr. Scott. I am working on legislation to have the CDFI Funds offer direct support, including equity to the CDFIs and MDIs and impacted banks, which I define in my bill, in my MDI bill, as small community banks that predominantly serve poor, rural, and urban Americans. Any thoughts? Can you weigh in on that, on the direct support including equity? Let me start with Mr. Scott, and then Mr. Pugh, you weigh in also.

Mr. SCOTT. Sure, Mr. Chairman.

Equity is critical for the small minority businesses in this country. For the most part, Black businesses and Brown businesses don't have friends and family funding to start out with, and they can't get the angel investments. In my experience in Chicago, in trying to find equity for small business startups, it is almost impossible because people aren't ready to invest. If the government is able to put together programs such that there is equity available through CDFIs or MDIs, it would be terrific. There would be a lot more work involved to be able to get the money to the right businesses, but certainly, it is a start to be able to move businesses and entrepreneurs in the right direction.

Chairman MEEKS. Let me ask you, Mr. Scott, I know I mentioned Mr. Pugh, but I saw that I am running out of time. I also believe that corporate America has a critical role to play in recruiting, promoting, investing, and training for the jobs of tomorrow, and ensuring representation in the seats, suites, and boards. Can you weigh in on that for us? Also, how private equity firms and others help give some equity capital to the CDFIs and MDIs?

Mr. SCOTT. Absolutely. My contention is that corporate America has to lean into this program. It has been interesting today on the news, and yesterday, that all of the CEOs are coming forward with ideas and programs of what it is they are going to do. This problem didn't start yesterday, or last week, or last year. The problem has been existing in the Black and Brown communities for years. And it is time corporate America steps up to the plate and starts doing something. They can put the money in, but more importantly, they can lean into problems that I addressed in my prepared remarks, and start dealing with committees to work on these issues.

Healthcare is an example. On the south and west sides of Chicago, Black folks die 10 to 15 years earlier than their white counterparts in downtown Chicago. Chicago has one of the largest educational systems, universities, pharmaceutical companies, and hospital systems in the country. It seems to me that if those groups came together to work on and address problems in our community, some of the issues we have seen with COVID-19, and some of the issues we have seen prior to that would not exist. So to me, a major role here is in corporate America stepping up, and not just because of the murder that took place last week. They should have done it a long time ago.

Chairman MEEKS. Thank you, Mr. Scott. My time has expired.

I now recognize the ranking member of the subcommittee, the gentleman from Missouri, Mr. Luetkemeyer, for 5 minutes.

Mr. LUETKEMEYER. Thank you, Mr. Chairman, and I thank all of our witnesses for being here today. It is a great panel, and I appreciate your comments. They were very succinct on a number of issues.

I would like to talk a little bit about—and specifically, I guess, with Mr. Pugh and Mr. Sills, since they are currently bankers—forbearance, because I don't believe we are going to get out of this economic mess unless the regulators give the bankers forbearance, so the bankers can give forbearance to their customers that can retain their businesses, that can retain jobs and keep the local economies going.

So, I think it is a change situation here that if we don't do this, we are going to wind up with the situation that we had in 2008, where the regulators actually went in and just got rid of wholesale lines of business, and entire communities collapsed, and banks collapsed as a result of this.

So, I guess, Mr. Pugh and Mr. Sills, my question to you is, have you had any interaction with regulators to this point with regards to this issue of forbearance? And if you have, what did they do? And if you haven't, are you getting any forbearance or flexibility for your customers with regards to how they are doing with their loans? In other words, are you deferring payments, altering loan terms, changing interest rates, or whatever? Let me start with Mr. Pugh, please?

Mr. PUGH. Thank you. As you know, there are forbearance guidelines that exist today under the CARES Act that will support residential mortgages, borrowers, and, of course, on the commercial side to have this available. We think it is important. We have seen a sizable number of homeowners and small businesses that have commercial real estate loans with us request those forbearances. However, what I would ask Congress to also think about is—I would recommend that there be a rent abatement program made available for commercial real estate owners and multi-family landlords. This rent abatement would allow a direct pass-through to the tenant so that they would have an incredible opportunity to jump-start their business, or recover on the other side of this pandemic.

And so again, if this were made available, and assuming that the landlords could show proof of that at the end of the year, perhaps they would be able to benefit from a tax credit, and we would be able to see the benefit of small businesses retooling and restarting their businesses in a viable way, and homeowners, again, be able to rebuild on the other side of this pandemic.

Mr. LUETKEMEYER. Very good, thank you. Mr. Sills?

Mr. SILLS. Thank you for that question. Yes, our bank has been working with our customer base. We have offered our customers a 90-day deferment, and if they want to come back to us at the end of 90 days, we can extend it for 6 months. The regulator community has been checking in with our institution just to find out how we are handling those deferments, what is the percentage of our portfolio.

We still don't know the total extent of this actual pandemic. So, we want to make sure that we are working with our customers, and we are informing our regulators. This may go beyond 6 months. There is some language that they have actually utilized to, kind of, guide us for a 6-month period that this particular loan will not become a TDR. So if this pandemic goes longer than 6 or 7 months, we feel we should have some flexibility to work with those customers.

Mr. LUETKEMEYER. Well, you hit on my concern, Mr. Sills. My real concern here is that this situation doesn't go away in 3 or 4 months, or 6 months, maybe even by the end of the year, whenever the CARES Act forbearance provision goes away. So, what happens then? Our experience with the bankers and credit union people through this pandemic is that they are very reluctant to become engaged because of the past overregulation, if you will, of them, and heavy-handedness by the regulators. So I think we need to have something in place that allows you to be able to get the kind of forbearance that you need, but they have to give forbearance to you.

Just one quick comment, both of you talked about PPP forgiveness. Mr. Sills, I signed a letter just last week to ask the Treasury to minimize, and have sort of a mini-forgiveness program for everybody under $350,000, a loan size which would help 93 percent of the loans. Do you think that would be something that would solve some problems?

Mr. SILLS. Yes. Yes, I do. The ICBA has put out a position statement related to presumption of compliance below a certain loan amount. And given that 80 percent of the loans are below $100,000, and given the complexity of the forgiveness application, which is, I believe, 11 pages long, I think there should be some accommodation for some of the smaller loan amounts to just be forgiven, if the borrowers certify that they used the funds in accordance with what they stated they were going to use the funds for.

I do like the idea of reducing the percentage of—that was supposed to go towards the payroll from 75 percent down to 60 or even 50 percent.

Mr. LUETKEMEYER. Thank you. I yield back, Mr. Chairman.

Chairman MEEKS. The gentleman's time has expired.

I now recognize the distinguished Chair of the full Financial Services Committee, the gentlelady from California, Chairwoman Maxine Waters.

If the chairwoman is not there, I will now move to the gentlelady—

Chairwoman WATERS. Yes, I am here. I was muted. Am I unmuted now?

Chairman MEEKS. We hear you now.

Chairwoman WATERS. Thank you so very much.

I want to thank you for holding this hearing today. It is so very important, particularly at a time when we have tried to organize a response to the pandemic and to COVID-19. We have learned an awful lot as we have wrestled with some of the problems of PPP and CDFIs. And, of course, I am very pleased that we were able to target some $60 billion when we came back with the supplemental appropriations to deal with the problems that we encountered with the PPP. But in addition to that, we learned an awful lot, particularly working with some of the non-bank CDFIs. For example, there was a requirement that in order to get money from the CDFI Fund to make loans, you had to have dealt with at least $50 million in loan business. Well, we got that reduced to $10 million.

And I think one of the lessons that I have learned in working on these issues is that many of those individuals in government who have been dealing with loan amounts, et cetera, in various ways, really don't have the same definition of "small businesses" that we do. And in the communities that many of those who are here today are serving, we are talking about people who could absolutely benefit from $50,000, $25,000, $100,000.

So when I see some of the definitions and requirements for participation, like we saw with the $50 million requirement with the CDFIs, I think we are going to have to do a lot of educating of folks about what the communities need, that have not had access to the kind of capital that would lead them not to need small loans. That is also true with the mainstream program that we are looking at.

But I want to ask our MDIs here today: I have learned that there may be some concerns that if you don't dot all of the I's, cross all of the T's, and be perfect, that you will not get your payment from the Small Business Administration. Do we need something called substantial compliance in order not to hold up the reimbursement for the funds that you have spent?

And let me just start with Mr. Sills on that, would you please respond to that? Have you seen any problems with that? Or do you anticipate any problems with that?

Mr. SILLS. Chairwoman Waters, that is a great question. I strongly believe that banks like ours need some type of liability protection, because we are having to guide those borrowers through the process, and rely on their borrower attestations that they have used their PPP loans correctly. And it puts us in an uncomfortable situation. We are here to help our borrowers and our small and medium-sized businesses. But if there was that ability to protect us, yes, we would continue to do more lending in the communities that we currently serve.

Chairwoman WATERS. Thank you. I am going to take a look at that, working with Mr. Meeks. Mr. Meeks and I, of course, have been focused on the problems that many of our MDIs face, a lack of capital,and the ability to lend in our communities where these loans are so desperately needed. We have learned that some of the bigger banks are talking about giving back the fees that they have earned in the PPP program to MDIs. Have any of you heard about that? And let me direct this to Mr. Pugh at the Carver Federal Savings Bank. Have you been involved in any discussions with any of the larger banks about helping with the capital problem that you may have?

Mr. PUGH. Thank you, Chairwoman Waters. We have not been involved in those discussions, nor have we heard about this opportunity. I would certainly say that it would be a welcome opportunity for us to discuss it. As you so rightly pointed out, these loans are being provided to communities that frankly need them, and for MDIs and CDFIs, we do not have the capital and bandwidth to withstand risk if they are not going to be guaranteed by the FDIC.

Chairwoman WATERS. Thank you very much. Let me thank you all for helping us to understand how we can be more supportive with PPP and other kinds of programs.

I yield back. Thank you, Mr. Meeks.

Mr. MCHENRY. I think the chairman is muted, but I will take it from here, according to the order we have. I want to thank the panelists for being available for the Zoom, and I want to thank the staff, the committee staff, on both sides of the aisle, for making this technology work as best we can. However, Members are also left to their own devices on using their mute button, which is always a challenge, no matter how many times we do this, for all of us.

I want to turn to you, Mr. Sills. Thank you for your testimony. I want to ask you about technology, because there is some opportunity for us to have regulatory changes so you can better use technologies and institutions as a way for financial inclusion, or to achieve financial inclusion. There is a Pew Report from last year that says that approximately 81 percent of Americans own a smartphone, and that is up from 35 percent of Americans a decade ago. So, Mr. Sills, could you describe the ways in which your bank, your institution, is adapting to increased technology in smartphone use by customers, and what effect that is having, if it has been beneficial, or an additional way for you to reach out in new communities?

Mr. SILLS. Thank you for that question. Today, banks are actually technology firms. We have invested quite a bit over the last 3 or 4 years in our mobile platform, but also our online banking platform. The majority of the large banks have a high percentage of their transaction activity actually go through mobile online banking and ATMs, and it is actually in the 50 to 75 percent range.

Most CDFIs and MDIs, our percentage is not that high. We do not have the capital to invest in technology like some of the larger institutions in the United States. It is all moving to a digital format and a digital platform. And customers today are accustomed to actually interacting with banks from a digital experience standpoint.

And so, I think it is critical that CDFIs receive some investment, or some technical grants that would allow them to upgrade their technology to be more mainstream, to provide a better customer experience

Mr. MCHENRY. Do you think that technology can lead us to driving financial inclusion? Do you think it is an opportunity for us to reach the underbanked and the unbanked consumers, and especially the small business owners who are not so well-connected? They instantly have a banking relationship from a family member, or somebody in the larger social network. Is there a way for us to do this? And does it have an opportunity?

Mr. SILLS. Yes, today, almost 90 percent of all of the citizens in the United States have a smartphone. About 5 years ago, that statistic was around 66 percent. So today, it is just normal to access your data, your account information, to transact business, to even apply for a loan through your smartphone or through your tablet. So, I do think that will level the playing field. But, again, most of the MDIs and CDFIs do not have that technology. Most of the larger—

Mr. MCHENRY. I'm sorry to interrupt, but is the partnership model one that you are utilizing?

Mr. SILLS. No. We utilize a large core processor, and so, we are kind of at their mercy in terms of the types of technology that they deploy for institutions like ours. But, sure, we would love to partner with other fintech companies and other companies whereas we could provide really robust technology that is simple to use, and just gives a really good digital experience to that end customer.

Mr. MCHENRY. Along those lines, let me ask you about regulation. What can we do to help an institution like yours? What regulatory limitations or burdens do you think would benefit your ability to help your customers and help the communities that you serve here in North Carolina?

Mr. SILLS. There are so many regulations that we are actually subject to. The biggest one for us is, we are a small institution with 70 employees, and just the regulatory burden of compliance with the Bank Secrecy Act (BSA) and the Home Mortgage Disclosure Act (HMDA) strangles us almost in terms of when there is a new regulation, such as beneficial ownership, it just hampers our ability to serve the customer because we are having to invest in technology, we are having to train our staff, we have to educate the customers, and it just takes us away from our core mission of providing capital to small and medium-sized businesses and to the communities that we actually serve.

Mr. MCHENRY. Thank you.

Chairman MEEKS. Thank you. The gentleman's time has expired. Let me apologize for being on mute. I will, however, state that I won't let that happen, again. The House Committee Rules do not allow for Members to recognize themselves, and I know this is a big process, so I have to stay on the ball also, and make sure that I am unmuted.

I now recognize the gentlelady from New York, Ms. Velazquez, who also happens to be the Chair of the House Small Business Committee, for 5 minutes for questions.

Ms. VELAZQUEZ. Thank you, Mr. Chairman. And thank you, Chairwoman Waters, and the ranking members for this important hearing.

Mr. Pugh, unfortunately, MDIs were not included in the set-aside created last week by the Administration. However, as Chair of the Small Business Committee, I remain committed to pushing the Administration to create opportunities for MDIs as well. It is also important to note that Democrats included a set-aside for MDIs in the HEROES Act as well. What will this mean for PPP borrowers, particularly in New York City?

Mr. PUGH. Thank you. This is an important question because, frankly, what it will mean is the opportunity for MDIs, and by broader extension, I also want to call out the importance of CDFIs as a whole. It will mean the opportunity for them to actively be involved in helping small businesses and communities rebuild on the other side of this pandemic.

I think we can all agree that for many, they didn't recover from the Great Recession, and to now relive a very similar situation, as noted, approximately 40 million jobs in terms of loss here. So, CDFIs and MDIs will play a very critical role in the rebuilding, and having this allocation will allow us to help in a number of very important ways, which includes small business loans, financial education programs, strategic partnerships with nonprofit organizations, and various other offices that will be involved in this.

Ms. VELAZQUEZ. Thank you, Mr. Pugh.

Ms. Mensah, and Mr. Pugh, again, I have also been vocal in my criticism of the Administration for its failure to provide transparency and information regarding the recipients of PPP loans. I believe that without this critical information, it is difficult to determine how much is going to underserved borrowers and communities of color. This was an issue that was recently highlighted by the inspector general as well. Does this concern either of you?

Ms. Mensah?

Ms. MENSAH. Yes, Chairwoman Velazquez. Thank you for your concern. We wholeheartedly endorse your pressure to continue to get data from this powerful program. It has been huge. It is huge in our communities, and to miss a moment to understand where these funds have flowed would be a terrible thing. We also applaud your interest in the CDFI Fund itself, and we would urge you to continue to seek data on the recipients and on the leadership of those institutions.

Ms. VELAZQUEZ. Thank you. Mr. Pugh?

Mr. PUGH. Thank you. I will just echo the comments that have been offered, and say that the impact data will be important because it will make the direct connection between the work that CDFIs need to do in order to help restore our communities.

Ms. VELAZQUEZ. Thank you.

Mr. Scott, or Ms. Mensah, or Mr. Pugh, yesterday in the Senate, H.R. 7010, the PPP Flexibility Act, was quick-lined for unanimous consent, but several holds were put on it by Republican Senators.

Have any of you have heard of any policy issue related to the PPP from the Republican Senators? This is legislation that passed the House with 417 votes.

Ms. MENSAH. I have not, and we urge its speedy, speedy passage. We need to fix this program, as you already have done, so that it can be used, especially the extensions that have been discussed. I have heard of no policy issues.

Ms. VELAZQUEZ. Thank you.

Mr. SCOTT. I have not heard, but I agree completely with what Lisa just said.

Ms. VELAZQUEZ. Thank you.

I yield back.

Chairman MEEKS. Thank you. The gentlelady yields back.

I now recognize the gentleman from Florida, Mr. Posey, for 5 minutes.

Mr. Posey, you may want to unmute.

Mr. LUETKEMEYER. Mr. Chairman, Mr. Posey is having a little difficulty getting on with us with the video connection today. I think he is on with his phone, and I think they are trying to work out something where he may be able to ask questions later on, so if he doesn't pop up here in the next couple of seconds, if you wouldn't mind putting him at the end of the queue, we are going to try and get him to where he can get involved.

Chairman MEEKS. Very good.

I now recognize Mr. Tipton from Colorado for 5 minutes, and we will put Mr. Posey back into the queue.

Mr. TIPTON. Thank you, Mr. Chairman. I appreciate the opportunity to be able to listen to our panel today. This is a challenging time for all of us, and all of our communities, especially rural counties like I represent throughout our district. In Durango, Colorado, in my district, First Southwest, a CDFI, is doing an outstanding job of responding to the needs of the community. Through the Paycheck Protection Program, First Southwest has secured nearly $55 million in funding, which has gone directly to 747 small businesses across 83 Colorado towns, and retained an estimated 6,666 jobs. In addition to rising to meet the challenges of the pandemic through the PPP, First Southwest has gone above and beyond through its $8 million Community Fund Initiative. Through its community fund, First Southwest-associated 501(c)(3), First Southwest has prioritized COVID-19 pandemic responses for small businesses. The community fund has stood up a microloan grant program targeted toward rural businesses, and an emergency loan program, and a rapid response and recovery fund to be able to help with recovery loss. Over 67 percent of the applicants did not receive or apply for PPP loans.

On top of all of this, First Southwest has also offered 1,656 hours of pre-financial counseling to 1,141 individuals in the first 5 months of 2020 alone. Currently, then, CDFIs do have a unique ability to be able to serve communities where they are centralized, and an important role to play in response to a crisis.

If one dedicated CDFI in my district can have such an impact on its community, to be able to help others, so, too, can other CDFIs have an uplifting effect across the country.

I would like to encourage all of my colleagues to work together on both sides of the aisle to continue to support funding CDFIs during the appropriations process. Additionally, the CDFIs can have such an impact on the communities they serve, we should also think about expanding their reach. That starts with examining the on-ramp process of the CDFI designations.

Mr. Sills, how hard is it to become certified as a CDFI by the CDFI Fund?

Mr. SILLS. Thank you for that question. It is actually a very difficult process. We have been a CDFI since 2002. Initially, when the process began, you had to recertify every 3 years. Today, we have to recertify on an annual basis. We have to submit a lot of information to actually recertify.

Our bank has been in existence for 113 years. We are an MDI and a CDFI, and we have been serving our community tremendously. We have received an outstanding CRA rating for the past 24 years. So, I think there should be some flexibility for institutions like ours to go back to certify—recertifying us on an every 3-year basis, since we are an MDI/CDFI, and we have the data and the proof to show that we are actually serving our communities.

But to answer your question specifically, yes, it is very, very difficult. It is an onerous process to become a CDFI.

Mr. TIPTON. In addition to some of the flexibility that you just mentioned, do you have any other thoughts in terms of being able to make the certification process less burdensome?

Mr. SILLS. One idea is to provide some technical assistance that would allow the applicant to maybe leverage a third party to help them create that information that they have to submit to become certified. Maybe, our regulator community could assist in that, or a third-party firm could help with that evaluation of that data as that firm is applying.

Mr. TIPTON. Well, thanks. I did appreciate, and wanted to follow up on, the ranking member's comments in regards to mobile access to be able to open up accounts. Last Congress, we passed and had signed into law the MOBILE Act that I sponsored, to enable people to open up accounts on their mobile devices using their driver's license.

You indicated that there aren't resources available to help assist CDFIs in terms of trying to be able to expand that reach. Was that correct?

Mr. SILLS. Yes. The CDFI Fund has some flexibility, or they need more flexibility to maybe redirect some of their grant opportunities to focus more on technology projects for CDFIs, because that would really help level the playing field. I agree with you that mobile is the way to go. Most citizens in the United States have a smartphone, but we need more funding to fund the infrastructure and the development of those applications if we are going to be relevant going into the future.

Mr. TIPTON. Thank you, Mr. Sills.

And Mr. Chairman, I am out of time, and I yield back.

Chairman MEEKS. Thank you. The gentleman's time has expired.

I now recognize the gentleman from Missouri, Mr. Clay, for 5 minutes.

Mr. CLAY. Thank you, Mr. Chairman. Thank you for this historic hearing, and let me welcome all of the witnesses. I would like to start with Ms. Mensah. We, in Congress, had to fight to secure a carveout for smaller banks and CDFIs and MDIs. We achieved some success with the $30 billion carveout in the second round of PPP, but only got the concession from Treasury and SBA to target $10 billion of second round PPP funds for CDFI.

Can you please discuss why this matters?

Ms. MENSAH. Thank you, Congressman, for your question, and thank you for your fight. We felt it, and we appreciate it. The $30 billion was essential, but even more so is this recent $10 billion set-aside for PPP funds. This is essential because it ensures that you are going to use what we call the capillary system of the nation's financial infrastructure. It will flow through some of our smallest institutions, the CDFI Funds, in order to reach the smallest institutions, smallest businesses, and nonprofits in those rural areas well beyond the reach of broadband and deep inner cities. So, it is essential.

We thank you for that, and also for the other fixes that you have been doing to the PPP program to extend it. Both are needed, and we appreciate your insight on this.

And as I mentioned in my testimony, your acknowledgement of more additional funds in the appropriation for CDFIs, those are the critical steps.

Mr. CLAY. Very good.

Mr. Scott, could you please highlight the significance of greater CDFI participation in the PPP, and how it could impact small businesses, especially minority-owned businesses?

Mr. SCOTT. As I mentioned in my remarks, we pushed very hard to get the $10 billion specifically to CDFIs. The reason for that is that they are right in the communities, they understand the businesses, and they are working with the smaller businesses. As I mentioned also, the average loan that we had for these 200 organizations that we found was about $37,000, which is much less than all of the other numbers you have heard today.

So, we are talking about mom-and-pop operations that are dealing with this particular issue, and it is critical we do that. But more importantly, or as importantly, we have to provide technical assistance for these organizations, these smaller companies, to be able to even access this $10 billion, because they have not been able to do that before we provided assistance to them, and they have been able to navigate the programs much more effectively.

Mr. CLAY. Thank you for that response.

Mr. Pugh, and Ms. Mensah, can you please speak to the challenges faced in helping smaller businesses and businesses operating in low-income areas to prepare their files for submission to the SBA platform for PPP loans?

Ms. MENSAH. Thank you, again, Congressman, for recognizing the role in addition to the money. We call it capital plus. It is the support that a business needs. Many of our businesses don't have private attorneys that they can call on, and accounting firms ready to go, and so they are working with our staffs at CDFIs, often in this remote setting, to try to get those forms correct so that the payroll things are appropriate.

We have had people working through the night to get the businesses, clients they know, nonprofits they know, through the process of PPP. So, it is essential, and it is because of what you said. They don't have all of these other relationships in hand, so the CDFIs and MDIs are performing those roles.

Mr. CLAY. Wonderful.

Mr. Pugh, anything to add?

Mr. PUGH. Sure. For the reasons stated by Ms. Mensah, the CDFIs play a very critical role in terms of helping small businesses because of the capacity issue that they have, frankly. But I would also add that on the other side of this program, once the loan has been granted, we know that the compliance aspect will be very daunting for many of the small businesses. We would also ask Congress to think about ensuring that there is no more than a two-page requirement for many of these small businesses that are applying for small-dollar loans, versus the 11 pages that exist today, again, because they, frankly, just don't have the bandwidth to be able to navigate through these very complicated documents, and then continue to focus on surviving on the other side of the pandemic as well.

Mr. CLAY. And just to conclude, the Missouri Bankers Association has just recommended to Secretary Mnuchin and the SBA that there be some kind of easy process, an easy form, like you said, a one-page or a two-page form to comply.

With that, Mr. Chairman, I thank the witnesses for their responses, and I yield back.

Chairman MEEKS. Thank you, Mr. Clay.

I now recognize the gentleman from North Carolina, Mr. Budd, for 5 minutes.

Mr.Budd, you may want to unmute.

Mr. BUDD. I associate myself with Ranking Member McHenry's remarks on Members and their mute buttons. I thank the Chair. I appreciate the time.

Mr. Sills, it is good to see you, again. It is good to have somebody from North Carolina on the panel. I look forward to seeing you in person, again. Last week, along with several of my colleagues, I sent a letter to Treasury Secretary Mnuchin and SBA Administrator Carranza asking for the Treasury and the SBA to work towards crafting a simplified, streamlined forgiveness application for loans that were under $350,000.

So, what challenges are you and your customers facing as they begin applying for PPP loan forgiveness? We have been hearing from some small businesses and owners that the application is quite complicated and challenging to fill out. And if they do it wrong and they are denied, that could stick them with a loan that they were not anticipating.

Our intentions behind the PPP was to give much-needed relief to small businesses, and not to further burden them. First of all, what are you seeing and what would be your suggestions for simplifying this process? Again, Mr. Sills?

Mr. SILLS. Congressman Budd, it is great to see you, again. Thank you for your question. Just looking at this from this standpoint, the original application was only three pages, and the primary number was, how much do you spend on payroll on a monthly basis, times 2½, and this new form that came out on May 15th is 11 pages. It is very complex.

So, I feel that the SBA should produce a more simplified form, like a 1040EZ form. And I also feel that they should create an automated forgiveness calculator, because I know that we are going to be inundated with questions from our borrowers, because no one wants to retain more of the loan in terms of paying it back over time when they really need the majority of the loan to be forgiven, given the economic situation that we are in.

I anticipate receiving a whole lot more questions as we go through the new era of, now we are in the forgiveness process of this process, so to speak.

Mr. BUDD. Very good, and thank you for that.

Mr. Sills, in a prior role, earlier in your career, you served as the chief information officer for the State of Delaware, even though we are proud to claim you as a North Carolinian now, and I believe you were even a member of the Governor's Cabinet in Delaware. You also led extensive efforts in IT consolidation, cloud-computing technology, cybersecurity, and other areas. You were named IT executive of the year by Government Technology Magazine. I don't yet have that subscription. I apologize.

But it is safe to say you have an impressive record in technology and you are—obviously, now that you are in banking and have shown a demonstrated track record of success there, the latest in technology in the banking world.

Ranking Member McHenry had some questions and comments and thoughts on that, and so has Representative Tipton from Colorado about technology. But we have really seen a technological revolution take place over the last decade, banks and fintechs finding new ways to innovate. Do you worry that a lot of the smaller community banks and MDIs are being left behind, in the tech revolution that the banking sector is experiencing? And if so, what are some ways that Congress can help these institutions keep up with innovation? Not even just keep up, but get ahead?

Mr. SILLS. Again, thank you, Congressman Budd, for your question. Small banks like ours are falling behind every single day. Some of the larger banks are investing billions of dollars per year into their online platforms, into artificial intelligence, into end-to-end systems where you don't even have to interact with a customer service representative.

And so, yes, I am concerned that our bank eventually will not be able to keep pace with some of the larger institutions.

As I mentioned earlier, the CDFI Fund has some flexibility, I believe, that would allow them to provide grants to institutions like ours so that we could improve our technology. We are not going to be able to compete directly with some of the largest financial institutions in the world, but we, at least, want to be in the game. And so, if there was an opportunity to carve out some additional funding specifically to level the playing field for CDFIs and MDIs to receive some funding to improve their technology, I think that would help everybody.

And, again, our institution is very close to the communities we serve, so I really love the role we have been playing over the last 8 weeks. And if we had additional technology, we could serve our customers with a truly end-to-end digital experience similar to what other large institutions did with their PPP loan process.

Mr. BUDD. Thank you, Mr. Sills. Let's continue that conversation over the months ahead.

And I thank the Chair. I yield back.

Chairman MEEKS. Thank you. The gentleman's time has expired.

I now recognize the gentleman from the State of Washington, Mr. Heck, for 5 minutes.

Mr. HECK. Thank you, Mr. Chairman. Indeed, thank you for holding this hearing, and thank you to all of you who are participating in this incredibly important discussion about inequality during a critical week. I am grateful to all of you.

Frankly, amidst the great tragedy of the last week, I have found some inspiration in those who have come together to be united to grieve for George Floyd.

On Saturday, I was honored to be able to participate, with 56 members of the Pierce County Black Ministerial Alliance, in a public prayer vigil, and yesterday, I participated in a similar event with about 1,500 of my neighbors here in Olympia, Washington, all mourning the death of far too many Black Americans. But in addition to sharing their grief, they were also united in sharing a belief that we can't accept the status quo, that it is time to change, and that it is past time to change, and that we will address racial inequality.

This brings me to what I think is a second pivotal moment we are experiencing, amid all of this economic devastation. Congress has the power to set a course for our economic future, and we will all pray that it will be a better economic future.

As we have provided the funds to begin to deal with this, we have had to ask hard questions, difficult questions: Will small businesses emerge from quarantine ready to rebuild, or are they going to be devastated? Will Americans be able to stay in the place they call home throughout the crisis, or will missed rent and mortgage payments catch up with them? And will efforts to help America recover from this recession make a difference in structural inequality, or will we maintain the status quo? And the inequality is structural. Until we acknowledge it as such, we cannot make progress.

Congress, in our response, put a pretty heavy emphasis on small businesses hit by the pandemic. I think that was the right approach, but we are remiss if we do not pay special attention as we have here today—thank you, again, Mr. Chairman—to neglected minority workers and minority-owned small businesses who have been impacted the most by structural inequality.

I have been following labor data over a very long period of time, and the truth is, it took these workers to whom I refer over a decade to climb structural barriers and return to unemployment percentages prior to the 2008 recession. Last in, first out, and we are experiencing that now.

So, we have struggled mightily to provide help, and have improved upon our efforts as this has advanced. I thank Chairwoman Waters for her leadership in this regard. But in the midst of this discussion today, here is what I am struck by. There are 100 ideas on how we can do this better. There are maybe 1,000 ideas on how we can do this better, and many of them are going to be incorporated, but we are at risk of getting lost in the avalanche of ideas.

So, I am going to ask each of the three witnesses to make a very difficult kind of a response to this question. If you had to distill the two most important things that we can and should do, that would have the most impact on addressing inequality, help us focus, please, amongst the hundreds of ideas, what are the two most important, highest-impact things that we could do?

And I would like to start with Ms. Mensah, if I may, please?

Ms. MENSAH. Thank you, Congressman Heck. And I don't have a hard time with this question. I welcome it. The most important thing to do is to ensure that this country has a robust set of CDFIs and MDIs positioned in the next decade to make a serious contribution to the recovery that the country needs. There is one thing we need, and that is a more serious appropriation in the Treasury's CDFI Fund.

The HEROES Act emergency appropriation of $1 billion, to an industry that has $222 billion under management, is not outsized. In fact, it should be the annual appropriation for this field. That is my one recommendation, because it is the thing that will keep us strong for the recovery. We do not have an ability, we will leverage those funds. There will be many more partnerships. But that is the one idea that I urge the Congress to stay focused on.

Mr. HECK. Thank you.

Mr. Scott?

Mr. SCOTT. I think a couple of things have to be done, and I support what Lisa just said, but I think also we have to work on putting together an overall strategy that is going to address these issues. And it can be a public-private partnership that works on it, but we have addressed it verbally for years, and we have not really sat down and done the work that has to be done to put it together. I think, certainly, from the position of the government, we can put money into equity for smaller businesses to get them to grow, but we have to deal with all of the issues that I mentioned, and they all have to come together to set this problem up, because only setting up small businesses will not do it. We have other issues in our communities. They have to be fixed, and we have to have an overall strategy to get it done.

Mr. HECK. Thank you.

I yield back, Mr. Chairman.

Chairman MEEKS. Thank you. The gentleman's time has expired.

I now recognize the gentleman from Tennessee, Mr. Kustoff, for 5 minutes.

Mr. KUSTOFF. Thank you, Mr. Chairman, and thanks to the ranking member for convening today's hearing. I also thank the witnesses for appearing as we experiment and try to reinvent our process of conducting committee hearings.

Mr. Scott, I appreciate your opening remarks. I would like to follow through with a question about technology before COVID-19, and you may agree or disagree. It seemed like the public saw very few customers under the age of 30 actually come into your branch. The younger generation is more reliant on technology, and now with COVID-19, obviously, there are a lot of new normals, including in the area of banking and peoples' banking habits. And, of course, their inability to travel outside their homes and go to their banks.

Can you talk from your standpoint of a leading MDI, the challenges that MDIs face as it relates to technology? And, again, if you could kind of expound—I think a lot of these questions had gone previously to Mr. Sills, some of the solutions that you see that Congress could provide as it relates to availability and accessibility, which are probably two different things?

Mr. SCOTT. Congressman, I think you are addressing that question to Michael Pugh, not to me. I am not a banker.

Mr. KUSTOFF. Okay. I'm sorry. Yes, Mr. Pugh.

Mr. PUGH. I think that there are at least a couple of very critical issues. The challenges that MDIs and CDFIs are often faced with is the ability to take to scale the technology demands that are needed because of the capital investment that is required. Many of the CDFIs and MDIs are at the mercy of our core providers, so it's the top few core providers that ultimately get to determine whether or not the technology can be integrated into our core systems. What I would offer for us to perhaps think about is a couple of key things. One, perhaps there is an opportunity for Congress to support incentivizing core providers through a technical assistance protege program, and this program would then allow those core providers to play a critical role in working with MDIs and CDFIs, so that we can meet the demands of our small businesses and our customers as we move into this digital age.

We think this is important, and we know that, frankly, precedent is established through the U.S. Treasury through their existing mentor-protege mentoring program that has been set up. And, perhaps, that model, again, could be used to help implement this recommendation.

The other thing that, frankly, we are faced with is the ongoing capital investment that you heard me mention. And so, because it is a significant spin, if Congress would look at this as an opportunity, frankly, for MDIs and CDFIs to participate in grant opportunities that would allow it to be used towards improving your overall technology, we think that this would be extremely important. Remembering that the MDIs and CDFIs are often serving low- to moderate-income communities that need the access to mainstream financial services the most, we can play a critical role in that.

Mr. KUSTOFF. Thank you, Mr. Pugh.

With my remaining time, Mr. Sills, if I could come to you, and I am speaking to you from Memphis, Tennessee, your former home. You answered this kind of broadly when Mr. McHenry and Mr. Tipton asked you, but are there specific initiatives that you think Congress could take in terms of the accessibility and the availability, in my remaining time?

Mr. SILLS. Thank you, Congressman, for your question. I actually think it all comes back to capital. Capital is critical to build scale. If we had an additional $5 million in capital, that would allow us to make those kinds of investments that you are talking about. It would also allow us to help more of our customers in the markets that we serve. It would allow us to add an additional $50 million in assets to our balance sheet.

So if there were opportunities for this committee to recommend strategies to inject capital into CDFIs and MDIs, I just think it would help the institutions, but, also, the end customers that we serve on an everyday basis.

Mr. KUSTOFF. Thank you, and I yield back.

Chairman MEEKS. Thank you. The gentleman's time has expired.

I now recognize the gentleman from Florida, Mr. Lawson, for 5 minutes. Mr. Lawson, you may want to unmute. Mr. Lawson? I don't see the gentleman from Florida. I will put him back in the queue if he should come back.

I now recognize the gentlelady from Michigan, Ms. Tlaib, for 5 minutes.

Ms. TLAIB. Thank you so much, Mr. Chairman, and thank you so much to—I would like to call you all the community banks, because when you start saying CDFIs to my residents, it doesn't actually click, but when I tell them it is people like us who are running a lot of these community-based financial institutions, it is very important.

As you all know, we are going through a very difficult time, and some of us are obviously attending events and we are mourning and we are trying to heal, but I think we want to get to structural issues, especially those that have been set up against a lot of our Black neighbors across the country. And one area I want to talk about is, according to the Urban Institute, since 2001 the Black homeownership rate has seen the most dramatic drop of any racial or ethnic group in the country, declining 5 percent.

In Wayne County, Michigan, alone, in my district, the percentage of Black people who own their own home dropped in Michigan more than any other State, down to 40 percent from just over a half in 2000, according to the report. The horror of African Americans throughout the country—they have lost the most ground relative to other racial and ethnic groups, and middle-aged homeowners, aged between 45 to 64, the homeowners having lost their homes during the 2008 crisis find themselves unable to move back into homeownership as they approach retirement age.

And you all know, and we all know, that some of the backbone in really building stability for families and economic stability for families is homeownership. And so, Mr. Scott, your organization has been very vocal about the broad challenges facing our Black communities across the country which puts them at a higher risk, as you know, into poverty traps.

And so, my question to you is, can you please elaborate on this, and how the pandemic has led—late bear the practical economic challenges for our communities, again, African-American communities throughout the country?

Mr. SCOTT. Thank you. I think it is obvious from what we have seen with respect to the health data, the unemployment data, and everything else that we have seen that the pandemic has impacted the African-American community more so than ever before. But prior to it, even, the housing situation you talked about was reality. Black folks did not own homes, were moving out of Black neighborhoods because neighborhoods were going down, and it is something we have to fix.

I think municipalities have to, again—and I keep going back to engaging with corporate America. I think that is responsible for them to do it. When we look at municipal housing authorities, they are not nearly as efficient as some of the private sector organizations that can do it. I have met with them. They said they can do things much cheaper. We can provide homes at a much more effective cost level. And then, if we devote the rest of the things and get people into those homes, I think they will start moving back into their communities. But right now, it is an overall situation, and it is tough to deal with.

Ms. TLAIB. Yes, but Mr. Scott, one of the things I hear from a lot of my community-based organizations doing housing counseling is that corporate America doesn't see them the same way. They see the Black community as well as other communities of color very differently. They are approaching it very much transactionally. Okay, I did a little bit, I am done. And so, my next question was about the fact that the private sector, what I call the captains of the industry, have a really critical role to play in addressing this, and what more can the private sector be doing. But I think it is some systemic issues and culture issues where we have to force it. You all know that prior to the Fair Housing Act and the Community Reinvestment Act, all of that was because we had to force them to see Blacks as equal humans. It is true. We had to force them. The numbers now of homeownership are even just—the levels of what we see access to homeownership or banking, is actually lower now among our Black communities across the country than it was prior to even passing FHA and CRA.

And so, what can we do to mobilize more equity under capitalized communities and minority small businesses? I feel like we almost need to force it to happen versus these little snippets of, if you do this as like a little check box, but almost inject changing the complete culture of how they approach these communities?

Mr. SCOTT. I agree. I think it has been a check box, and I think it has been verbally addressed, but it has never been actually addressed. I think that we are in a situation right now where if we don't get the corporate community to do something, it is not going to change. No company that I know of gets anything done without a vision and a long-term strategy. That is how we got things done when I was working, and it is how things get done today. If, in fact, that is not put in place to resolve this issue, it is going to continue to be verbal. We will continue to see dollars thrown at projects. We have seen hundreds and hundreds of millions of dollars thrown at our communities, and they have gotten progressively worse to your data. That is not acceptable in most corporations. We have to change it and we have to bring them together to the party do it. And then, there has to be money for the folks to be able to buy those homes.

Ms. TLAIB. Thank you so much.

Mr. Chairman, when that little beep goes off, that means time is up?

Chairman MEEKS. Your time has expired.

Ms. TLAIB. I had more, but thank you so much, Mr. Chairman. And thank you so much, Mr. Scott.

Chairman MEEKS. Thank you. The gentlelady's time has expired.

I now recognize the gentleman from Virginia, Mr. Riggleman, for 5 minutes.

Mr. RIGGLEMAN. Thank you so much, Mr. Chairman, and I thank the witnesses for being here today. I am so excited to talk about this, and I think with CDFIs and MDIs, they continue to play an important role in helping urban economically distressed and rural communities like mine. My district is bigger than New Jersey, 10,000 square miles, so it is really neat that we have been able to leverage that. I want to thank you for your testimony.

I want to start with something about data. I am a little bit different, and just listening to Mr. Scott, I sort of changed my questions here, so thank you for doing that.

When you are talking about data and corporate America getting sort of involved with this, my question about CDFIs is, how much they exchange data. And I went through and looked at all of the websites for CDFIs. Is there a way, and you are talking about corporate sort of donations, or not donations, but corporate funding and sort of corporate participation. Can CDFIs—I think there are over 1,000, and tell me if I am wrong—look at a way to maybe have a one-stop shop or a portal with data where you can direct people using ZIP Code or business loan type going forward, because data is where I like to sit. I have owned companies in the data space.

Would that work even with ZIP Codes and maybe some competition within ZIP Codes? You see where there could be a one-stop shop to actually absorb that data, where people go into one place and are able to parse where they are at to get those types of loans, or to get that type of support like the ability to call out proactively to say, we have these products.

Do you think that is something that we could actually do with CDFIs, to have a one-stop shop, or a portal, where it is not piecemeal with the data that we could use to actually make decisions to go forward?

Ms. MENSAH. I will step in, Congressman, as the leader of an association that has, in fact, a CDFI locator on our website right now. We have been partnering with Google, and we have had early conversations with Facebook. We know that entrepreneurs are searching now for where to go.

So right now, we have a locator, and you can see, where is the CDFI? It would pop up and it would show that Capital Impact Partners and Community Capital are making loans right now in Virginia. All of these things can be improved.

And the other combination is, are we talking to individuals seeking loans, or are we trying to find other partners? We have partners in government, mayors. So I think you are onto something. It is very important. It started in a nascent way, at Opportunity Finance Network, and this is why our CDFI Fund and its ability to keep data is so important to us.

Mr. RIGGLEMAN. Yes. I was wondering about a federated way to attack these problems, and while I was listening today, I had these other questions, because it seems to me that with the CDFIs out there and the different customer base when you are talking about the income levels that they are at, I want to direct legislation at those income levels, or where we could help CDFIs in these certain areas based on the requests that they have.

So that is why I was going to ask some pretty technical questions about, is there one place where we could see how many loans CDFIs have looked at? Who has been accepted for those loans? How hard was it for PPP? For Mr. Sills, when he was talking about this, I was very engaged in, what made it easier for PPP? Were there things already in place that legislation had helped?

And I will ask Mr. Sills, was there legislation already in place that helped, or processes that helped, that we can improve on going forward, maybe for customer outreach, because I would think that the CDFIs would want to be proactive, to go after their customers to say, we have these specific type of products that are available right now, and we can help you streamline the process?

Were there things that we can improve on, Mr. Sills, that were out there already that helped, or what can we do technically maybe through legislation to help CDFIs?

Mr. SILLS. Congressman, that is a great question. Luckily for us, we were already an existing SBA lender. I think the big difference in terms of how we were able to help our customers is that we did a lot of hand-holding initially as they were submitting the applications. Then, once we started processing the applications, we shifted gears and we actually emailed them the loan documents and the notes to sign electronically.

Now, I am an old-school banker, and generally speaking, prior to this pandemic, we really did require a wet signature. So to answer your question, we have to be connected to the community and to our borrowers. We were happy to participate. But it comes down to, we were already entrenched as an SBA lender. Our biggest challenge was liquidity. We initially did not have enough funding to actually fund all the loans, all the loan applications that we received. So, that was our biggest challenge with the PPP program.

Mr. RIGGLEMAN. Well, the timing was perfect with that, and I thank you all so much for this.

And I yield back.

Thank you so much for that, Mr. Sills.

Chairman MEEKS. Thank you, Mr. Riggleman. The gentleman's time has expired.

I now recognize the gentlelady from California, Ms. Porter, for 5 minutes.

Ms. PORTER. Hello. I have been in touch with CDFIs and community banks in my district about some of the issues that they are having with regard to unclear or restrictive SBA guidance and loan terms. Tustin Community Bank told me that their next hurdle is getting clarity and simplification from the SBA about what it is going to take to get forgiveness of these loans.

Ms. Mensah, do you have any concerns about how to explain the forgiveness requirements to your customers? Do your customers have questions about what they need to do? Can you identify for me opportunities for SBA to improve its guidance?

Ms. MENSAH. Thank you, Congresswoman Porter. Simplify, simplify, simplify. We should have extremely short, simplified documents, and I stand by the comments of others to simplify the forgiveness period, and to make that very clear. Thank you for your added pressure. Thank you for the work the committee has already done to pass encouragement for changes with PPP in this second round.

Ms. PORTER. My next question is about the importance of PPP transparency, and I have introduced a bill called the PPP Transparency Act to require the SBA to publicly report the details of PPP loans. We have all heard the stories about abuse of the program, but what is getting lost is all the credible work and the success stories of the PPP.

So, I wanted to ask you about the bill that I have, the PPP Transparency Act, which would require the SBA to put online every PPP loan, and what Treasury has said is they are only going to be auditing PPP loans over $2 million, but that means that there has been no audit for 99.5 percent of these loans.

Because many of you are SBA-approved lenders, you are already required, if you make a 7A loan, to put this information online. Can you talk to me about whether or not you support this kind of transparency requirement, and what benefit it might have in terms of giving taxpayers confidence about the importance of funding our CDFIs?

Ms. MENSAH. I can start. Again, we support your legislation. And I appreciate your ability to lift up the stories that are actually very, very positive. We are in a field that is very used to already, as you said, extensive reporting, both to the CDFI Fund and to SBA, so we support it.

Ms. PORTER. Mr. Pugh?

Mr. PUGH. I echo the comments about supporting the legislation. I think the key here is for us to be able to understand if the small businesses truly intended for the program have been able to receive the benefit. I also think that from an impact standpoint, we want to be able to look at this information and determine where the sore spots or gaps exist in order for us to continue our journey in terms of helping to restore on the other side of COVID-19.

Ms. PORTER. Thank you. And I think one of the things that might be important to recognize is, the PPP Transparency Act that I am sponsoring would require the disclosure of the location of the loan, the congressional district, the MACIS code, the number of employees, and really importantly, minority ownership status of the business.

And so, the goal here is to really show the American people that these PPP loans are working in our community. I think, without this kind of transparency, we are going to see a few stories of abuse, and these larger loans that will get audited kind of carry the day for the narrative.

One difference between the PPP Transparency Act that I am co-sponsoring, and my colleague, Dean Phillips's TRUTH Act, is that the TRUTH Act would have required an explanation of the decision-making processes under which such funds were disbursed.

And one of the concerns I had is that that would be an unduly burdensome and difficult requirement, both for the lenders and the SBA to comply with.

So, I wondered if you had any feedback for me on my bill, if any of the items that I mentioned that would be required to be gathered would create regulatory hurdles or difficulties for you?

Ms. MENSAH. I have no particular feedback.

Mr. SILLS. I would like to answer your question, also. My answer probably differs a little from my co-panelists. As a community banker, we have so many compliance and data reporting requirements. We have HMDA, CTR, SARS, CRA, CDFI reporting, call reporting, State reporting, and all of this additional reporting is going to require additional staffing and systems to collect the data.

I wanted to share with you one statistic. We only process PPP loans for our existing customers. Most of those customers, in terms of an average, have been in business for 18 years, and most of them had banked with us for over 10 years, so we really know our customers. So if someone was to come in and audit our bank and ask, "Where did the money go? Who received it?", I could provide that information, but to just put additional data reporting requirements on community banks like ours is a burden.

Chairman MEEKS. Thank you.

The gentlelady's time has expired.

I now recognize the gentlelady from Massachusetts, Ms. Pressley, for 5 minutes.

Ms. PRESSLEY. Thank you, Chairman Meeks and Chairwoman Waters, and thank you to our witnesses for lending your expertise and your insights to today's discussion. We do find ourselves experiencing a gravity of hurt and disparate impact, in both historic times and familiar times.

I want to take a moment just to acknowledge an event that has far too much precedent in our nation's history. This week marks the 99th anniversary of the Tulsa Race Massacre, also known as the Black Wall Street Massacre. Nearly a century ago, mobs of white residents stormed through Tulsa's Greenwood district, or Black Wall Street, attacking Black residents and businesses and decimating what was then the country's wealthiest Black community. Homes, businesses, and churches were destroyed and at least 300 lives robbed. While they tried to—

Chairman MEEKS. We are having technical difficulty. The gentlelady from Massachusetts has frozen.

Are you back?

Ms. PRESSLEY. You tell me. Can you hear me?

Chairman MEEKS. Yes, we hear you now. I want to roll the clock back. I watched when we couldn't hear you.

Ms. PRESSLEY. Thank you, Mr. Chairman.

Chairman MEEKS. Go back to 3:50.

Ms. PRESSLEY. Okay. Thank you very much. Maybe, I am just providing too much truth-telling today, Mr. Chairman.

But, again, I do think this historic contextualizing is important, given the timeliness of today's hearing. Nearly a century ago, mobs of white residents stormed through Tulsa's Greenwood District or the Black Wall Street, attacking Black residents and businesses and decimating what was then the country's wealthiest Black community.

Homes, businesses, and churches were destroyed, and at least 300 lives robbed. While they tried to rebuild, the denial of basic social and economic rights, including housing, healthcare, and education effectively ensured they never would. From a lack of reparation to redlining, government policies guaranteed that Greenwood's demise was permanent.

Now, there might be some who think that this historical contextualizing and elevating this in this moment is not germane to the work of this committee, but our nation's financial center is named after a structure erected by slaves. Wall Street then served as a site where they were bought and sold. Slave owners turned to property insurance to protect what they saw as an investment, and banks issued loans using slaves as collateral.

Today, predatory lenders set up in Black communities where predetermined help and economic outcomes ensure a steady stream of customers. There is no separating the history of racism from the history of financial services in this country.

So, how do we respond to this current crisis? How we respond to it means we cannot deny that history, or exacerbate existing disparities? The financial crisis of 2008 was a Great Depression-level event for Black Americans, wiping out decades of wealth building, primarily in homeownership. However, a 2013 study found that Black banks were 10 times less likely to receive bailout funding during the crisis, and nearly half have gone under since 2007.

Mr. Pugh, how does the disappearance of Black banks further exacerbate the racial wealth gap?

Mr. PUGH. As you have rightly pointed out, the disappearance creates a real cognitive disconnect in our communities in terms of the ability for small business entrepreneurs, women- and minority-owned businesses to have a bank, to access mainstream solutions. Examples would be, if I think about my area of Brooklyn, it has had some of the largest, women entrepreneurs in terms of growth in that particular borough. And by not having access, with the exception of Carver, to other options, in many cases, it could have, and has undoubtedly, created some real limitations.

Across our country, we have seen the ongoing closing of our banks. And it really gets down to capital and capacity. So, I think we frankly must look at, for an MDI, the ability to ensure that they have access to capital through various programs. Congress can play a very critical role in that and then capacity.

On the capacity side, again, very much working with fintechs, big banks, small banks, to ensure that there are real programs to build technology to scale, that, again, allows us to be able to ultimately serve people of color.

Ms. PRESSLEY. Thank you, Mr. Pugh.

One of the Paycheck Protection Program's many missteps was automatically disqualifying those with a criminal history or an arrest. Anyone on the panel who would like to weigh in, was this punitive exclusion something your institution advocated for? And do you support our call to Secretary Mnuchin, asking for removal of this exclusion?

Ms. MENSAH. We would absolutely support that call.

Chairman MEEKS. Thank you. The gentlelady's time has expired. I now recognize the gentlelady from Virginia, Ms. Wexton, for 5 minutes.

Ms. WEXTON. Thank you, Mr. Chairman. And thank you very much to the panelists for joining us here today for this really important discussion. Now more than ever, I think it is incumbent upon us to make sure that CDFIs and MDIs get the support they need.

Now I, like everybody else on this committee, heard from my small business owners during the first round of PPP funding, that it was almost impossible to navigate the process, that they were being shut out, that the big borrowers and institutional clients were getting all of the loans. And that was especially so in the first couple of weeks, when the guidance was really slow to come.

Now, with the second round, as was mentioned by the witnesses, the second round was much more effective, thanks in no small part to set-asides for smaller lending institutions, CDFIs and MDIs, which this committee, and the chairwoman in particular, really insisted upon including in there. And I am glad we are able to do that and help so many small businesses gain access to the PPP, but we still don't know the extent to which this program really helped the minority-owned and small businesses that the SBA really needs to help.

And the SBA has not made this information public. In fact, the SBA has said that the inspector general found that the SBA has not been registering PPP loans by their taxpayer identification numbers, which in some cases, has resulted in borrowers getting the funds twice, and even 3 times. It could amount to hundreds of millions of dollars. Meanwhile, others are denied entirely. And they are also not collecting the demographic data that is necessary to determine the extent to which underserved rural minority communities are being helped by the program.

So, I wrote to the SBA last week requesting increased transparency regarding loan demographics to ensure that Congress is using the program to help the businesses it was intended to help, and that the $660 billion that we appropriated to it is not going to help those businesses who really don't need it.

But we may not find out any kind of transparency with regard to minority businesses or demographic data about where the money actually went.

Ms. Mensah, can you talk a little bit about why it matters to disclose racial and gender diversity data for these loans going out any time, not just for the Paycheck Protection Program, but what difference does it make?

Ms. MENSAH. Thank you, Congresswoman Wexton. And I want to double-down on what you said, at any time. I thank you for your fight to get greater transparency. It is how we will know who was able to be helped with this emergency funding, and to show where the gaps are, that you are holding this hearing and you are focusing on CDFIs, because you understand that gaps in the financial system exist, and that we are needed to be what I said, the capillary system to get the money out.

Increased transparency is most important though, as we continue our fight for greater CDFI Fund appropriations. And I urge the committee to continue the data requests there, and to not lose sight of the minority statistics that are no longer being gathered in the same way since 2017, so I would urge your fight; it matters where you lend, and whom you lend to, and this is an industry that has crafted a specialty in that. So, thank you for your interest.

Ms. WEXTON. And at least in that respect, we will be assured that it will go to the people in businesses that need it most. Absolutely, good advice.

The set-aside in the second round of PPP funding did help get more funds out to businesses who really needed it, but there was quite a delay and quite a lag.

Mr. Pugh, do you have any insights into how that may have affected some businesses in your district? I know that I had businesses in mine that were hanging on by a thread and weren't able to wait for the second round of funding to keep their doors open before they had to lay off their employees. Do you have any such stories in your lending?

Mr. PUGH. Sure. Thank you for asking. We know that many small businesses really didn't get a chance to participate in the first tranche of the PPP program. We heard that in some communities, they are similar, like Harlem, as many as 40 percent of the small businesses on the other side of the pandemic may not be in a position to reopen. Those numbers are staggering, and they are indicative of really two issues: first, is the bottleneck in terms of the process that was created through the program while we recognized that there was a lot of effort and work to operationalize this program; and second, many of these small businesses will need continued assistance and support to think about how to service their customers on the other side of this pandemic.

Ms. WEXTON. Thank you very much. I yield back, Mr. Chairman.

Chairman MEEKS. Thank you. The gentlelady's time has expired.

I now recognize the gentleman from Texas, Mr. Green, who is also the Chair of our Oversight and Investigations Subcommittee, for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman. I am excited about the hearing and want to compliment you on the outstanding job you are doing. I thank the ranking member as well, and the Chair of the Full Committee, for the outstanding job she is doing.

I have a couple of pieces of legislation that I would like to call to the attention of the witnesses, who have done an outstanding job. I neglected to say a word about the staff. Thank you for putting this together. It really is something that, I believe, will be of great benefit to us as we move forward.

The first bill is H.R. 6868, and it creates the Community Capital Investment Program (CCIP) which will provide direct capital investments to MDIs and CDFIs, as well as smaller banks and credit unions that serve low-income borrowers, and there is a $3 billion earmark and direct capital investments and loans for MDIs.

I would like to know from you, Mr. Pugh, does Carver Bank support this piece of legislation, H.R. 6868, and the creation of the Community Capital Investment Program?

Mr. PUGH. I think the program, as you have described it, will have a significant impact for institutions like Carver, because we are an MDI and a CDFI. And ultimately, again, as you have heard us talk so much about, capital is an important part of what we need in order to continue doing the work that we are focused on in the communities that we serve.

Mr. GREEN. Thank you very much.

I have another bill, H.R. 6476, which would provide liquidity advances to eligible CDFIs and MDIs, as well as rural banks, with the purpose of providing more PPP loans for underserved small businesses, and would do so quickly.

Ms. Mensah, do you agree that H.R. 6476 would enhance the current PPP initiative and get funds more quickly to those small businesses and the employees hardest-hit by the pandemic?

Ms. MENSAH. Congressman Green, we thank you for your ability to focus on the liquidity challenges of our sector. That is exactly where the stress has been. So, we support the notion of liquidity. Things tend to take a long time, so we are even more supportive of the idea that you already passed in the HEROES Act, of more funds for the CDFI appropriation. Thank you for putting a finger on the liquidity challenge.

Mr. GREEN. Thank you. With my time left, I would like to just mention something that I am introducing. It is a piece of legislation that will cause to come into being a department of reconciliation, charged with the responsibility of ending invidious discrimination. This will be a Cabinet-level department, and there will be a Secretary of Reconciliation. It will be properly funded because it will get at least 10 percent of the funding from the Defense Department. And this is something that I think will have a long-term impact. It gives us the opportunity to develop a strategy to deal with invidious discrimination and racism over the years.

I think that a Cabinet-level position such as this would cause the country to be able to continually focus on invidious discrimination, as opposed to it only being an issue for us when something is triggered, usually something associated with policing.

Banking will then become something where we can focus on lending, because we know of the empirical evidence indicating that there is discrimination in lending and banking.

So, my question to the panel would be simply this: Given that we have a Department of Labor that deals with labor issues, and we have various other departments, would it be good to have a Cabinet-level Department of Reconciliation to deal with the long-term relief needed as it relates to invidious discrimination and racism? And I will start with Mr. Pugh.

Mr. PUGH. I think the issue of racism and discrimination is a broad and complicated one that is systemically tied to education, affordable housing, healthy foods, and the ability to make sure that you have proper healthcare. If this Cabinet-level position is one that can help to play a critical role in galvanizing key leaders, bringing them to the table with the private and public sectors to continue to solve for these issues and be candid about addressing them, then yes, it will be valuable.

Mr. GREEN. I thank you, Mr. Chairman. And again, I thank the staff. I yield back.

Chairman MEEKS. Thank you. That is our final Member. I now yield 2 minutes to the ranking member, Mr. Luetkemeyer, for purposes of a closing statement.

Mr. LUETKEMEYER. Thank you, Mr. Chairman. And again, Mr. Posey was unable to get on today as a result of his computer problems, and because our Rules indicate that you have to be at least visible at one point on video to be able to participate. He was not able to participate on his phone. He did say that most of the questions he had were asked by other Members, so just to give you a heads-up on Mr. Posey's participation.

I would like to thank each one of the panelists for being here today. I certainly appreciate your comments, and your suggestions, and we will certainly take those under advisement. I think it has been a very productive session. I know that the biggest thing we have to do is get our economy going. You all talked about getting small businesses up and running. And I think they are the backbone of our economy. We have to get them going. If we get them going, as an economy, we will get going.

I know you talked a little bit about the importance of CDFIs to do that, as well as MDIs. They are an integral part of getting this whole picture worked out, as a country, getting going again. I know that there were comments with regards to the PPP and the forgiveness portion of it. Having worked on it a lot, it is interesting, I always told the bankers and the folks who were administering the program, be careful what you wish for when you start talking about the forgiveness part of this, because you allow the accountants and the attorneys to get involved, and you are going to get a whole lot of paperwork at the very end, when this is a really, really simple process. All you have to do is take a copy of your note, a copy of the approval of SBA, a copy of your updated expense information, and a cover letter that says, send me a check; that is all it would take.

But now, everybody had to have a forgiveness, 11-page document, which now we are trying to compact down to 2 or 3 pages. So again, I hear what you are saying. We are going to try to work on it. But sometimes, be careful what you wish for.

With that, Mr. Chairman, I yield back. And thank you again for a job well done on the committee today.

Chairman MEEKS. Thank you, Mr. Luetkemeyer.

I now recognize myself for closing remarks. I wish to thank our witnesses today for their testimony and for the work that they do serving underbanked and vulnerable communities. Let me also thank the chairwoman of this committee for her great work and guidance on our subcommittee, as well as the ranking member for his work. I want to thank all of the Members for their cooperation on this first-ever virtual hearing that we have had. Thank you for your cooperation and for working together.

Let me also thank the staff, the Democratic staff and the Republican staff, for working together and making sure we were as prepared as we possibly could be for this hearing, which I think was successful.

We are living through some of the most trying times for our country. All of us came to this hearing with heavy hearts and genuine concern for the communities we live in, and for our neighbors and friends. The last few months have been incredibly trying for us as a country, for businesses, for families, for the U.S. Government. Historically, we have found ways to pull together as a country and as a people, even as we grapple with social division and choices that would define the character and the future of our nation.

You cannot, and must not, sugarcoat the depth of the multitude of crises that we face. The COVID-19 pandemic is far from over. Over 100 million Americans have already died and many more expected to lose their lives before it is over. The civil unrest resulting from police brutality and the spattered brutality in killing the Black men and women has struck a nerve for the whole country. But despite the images of riots and violence that dominate the news media, I know that the majority of Americans are coming together.

We have seen simple but important acts of kindness and bravery from average Americans across this nation to support their fellow man during the pandemic. Whether it was farmers donating their harvest to the hungry, people sewing masks and 3D-printing face shields at home, or people checking in and helping elderly neighbors, Americans have continued to demonstrate their capacity for kindness and compassion during the pandemic.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

This hearing is now adjourned.

[Whereupon, at 2:22 p.m., the hearing was adjourned.]

APPENDIX

June 3, 2020

OPPORTUNITYFINANCE NETWORK

Testimony of Lisa Mensah

President and CEO, Opportunity Finance Network

Provided to the House Committee on Financial Services

Subcommittee on Consumer Protection and Financial Institutions

June 3, 2020

Good afternoon Members of the Financial Services Committee. Thank you for holding this hearing on "Promoting Inclusive Lending During the Pandemic: Community Development Financial Institutions and Minority Depository Institutions". My name is Lisa Mensah, and I am President and CEO of the Opportunity Finance Network (OFN). I am pleased to be here today to testify on this issue of equitable lending as our nation navigates the economic impacts of the COVID-19 pandemic.

OFN is a national network of community development financial institutions (CDFIs), mission-driven community development banks, credit unions, loan funds and venture capital funds investing in opportunities that benefit low-income, low-wealth, and other under-resourced communities across America. CDFIs connect communities to capital that creates jobs, supports small businesses, builds affordable housing, cultivates healthy food and energy efficiency, and promotes safe borrowing and lending.

Currently there are more than 1,100 CDFIs certified by the Department of Treasury's Community Development Financial Institutions (CDFI) Fund with more than $222 billion in assets. Annual Certification Report (ACR) data from the CDFI Fund shows that as of Fiscal Year 2019, certified CDFIs have $24.89 billion of small business and microloans, $56.39 billion of housing loans, $58.67 billion of consumer loans, $24.19 billion of commercial real estate loans, and $4.15 billion of community facilities loans in their portfolios.[1] With cumulative net charge-off rates of less than 1 percent, CDFIs lend prudently and productively in unconventional markets often overlooked by conventional financial institutions.[2]

CDFIs are an integral part of the nation's financial infrastructure - moving money to people and places missed by traditional lenders and providing opportunity to communities that have been left out of the economic mainstream. Opportunity Finance Network's members report that their customers are 85 percent low-income, 58 percent people of color, 48 percent women and 26 percent rural.[3]

It is critical that at this time, as the country is reeling from a pandemic and civil unrest brought on years of systemic racism and oppression, CDFIs are looked to as community responders who can step up in time of crisis, helping rebuild and providing economic lifelines in distressed communities long after the cameras and media outlets have disappeared. As the nation look for solutions to

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[1] Opportunity Finance Network, CDFI Fund Annual Certification Reporting Database, Accessed June 1, 2020.
[2] Opportunity Finance Network, "Impact Performance", Accessed May 30, 2020. https://ofn.org/impact-performance
[3] Ibid at 2.

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move forward, CDFIs are ready to meet this moment in American history, using our resources and community connections to provide economic opportunity to those who have been disenfranchised.

The Economic Impacts of COVID-19

COVID-19 has had an economic and social impact on nearly all Americans but the fragile finances of our nation's most vulnerable have been entirely upended by the crisis. The crisis exposed what many in the CDFI industry already knew: communities of color were already struggling and the economic devastation of COVID-19 has exacerbated those issues.

According to 2018 data from the Bureau of Labor Statistics (BLS), even during the long period of economic expansion preceding the pandemic, people of color were experiencing higher unemployment than their white counterparts. Jobless rates were 6.6 percent for American Indians and Alaska Natives, 6.5 percent for Black/African Americans, 5.3 percent for Native Hawaiians and Other Pacific Islanders and 4.7 percent for Hispanics, and 3.5 percent for Whites.[4]

The pandemic has only worsened these disparities. Data from the BLS monthly jobs report released in May 2020 showed shocking increases in unemployment from 4.4 percent in March 2020 to 14.7 percent in April 2020 – and the picture was particularly ominous for communities of color. Hispanic Americans, who are overrepresented in low-wage sectors hardest hit by the pandemic, saw the highest unemployment rate of any racial group at 18.9 percent, while Black unemployment was 16.7 percent.[5]

COVID-19 is also impacting rural America, wreaking havoc on agricultural markets and supply chains, stressing already limited broadband capacity, and further highlighting years of disinvestment from both the public and private sectors.

The economic disruption caused by the pandemic has highlighted the need for a robust response from government, philanthropy, nonprofits and other community stakeholders. CDFIs are key partners for those institutions in ensuring an equitable delivery of capital to those hardest hit by COVID-19.

CDFIs: Financial First Responders

CDFIs are financial first responders immediately stepping in to assist small businesses, non-profits and individuals impacted by the COVID-19 pandemic. As soon as the mandatory business closures and social distancing began, CDFIs reached out to their borrowers with whatever accommodations they could to ease the economic disruption. Across the nation, CDFIs are offering their customers loan payment deferrals, modifications and other emergency responses or new products to help borrowers weather the crisis:

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[4] Bureau of Labor Statistics, "Labor force characteristics by race and ethnicity, 2018", October 2019. Accessed June 1, 2020. https://www.bls.gov/opub/reports/race-and-ethnicity/2018/home.htm
[5]Bureau of Labor Statistics, "Employment Situation Summary Table A. Household data, seasonally adjusted", May 2020. Accessed June 1, 2020. https://www.bls.gov/news.release/empsit.a.htm

- Orlando, Florida-based Black Business Investment Fund created the BBIF Emergency Relief Fund to offer working capital loans with low interest rates and flexible lending criteria to small businesses, including those that do not fit public relief programs. BBIF also offers payment deferment and restructures/modifications to current borrowers as well as one-on-one technical assistance via online/video conferencing technologies

- Crystal City, Virginia-based Capital Impact Partners is channeling relief funds to the Entrepreneurs of Color Fund to assist their CDFI partners Latino Economic Development Center (LEDC) and the Washington Area Community Investment Fund (Wacif) and support small business borrowers in Washington, D.C. The fund is a partnership to forge new pathways to entrepreneurship in the DC region's underserved communities by pairing low-cost capital with business advisory services to help entrepreneurs of color start and grow businesses, create jobs, and build wealth.

- Ithaca, New York-based Alternatives Federal Credit Union created the AFCU Community Assistance Loan Fund to provide both members and non-members of the credit union access to zero interest loans of up to $3,000 to cover costs or lost funds associated with COVID-19 to. The program encourages applications by women, people of color, and women and minority owned business enterprises.

- Kansas City, Missouri-based ALT-Cap is administering the KC Region Small Business Relief + Recovery Loan Fund, a $5 million small business relief loan fund that provides immediate relief to local, small businesses experiencing extreme economic disruption and financial strain as a result of COVID-19. As communities begin the reopening process, the fund now offers provide small businesses support to cover the additional capital expenses required to ensure a safe reopening.

- New Mexico-based Homewise is administering the Emergency Mortgage Assistance Fund to help low-income homeowners weather the COVID-19 crisis and its economic consequences. The Emergency Mortgage Assistance Fund will help those people who have lost the majority or all of their household income due to COVID-19 related economic conditions and may be at risk of losing their homes.

The CDFI industry is able to respond because of experience leaning in during times of crisis. As mission-driven organizations, CDFIs are adept at responding during a crisis like this one. From natural disasters such as hurricanes Katrina, Sandy, Maria and Harvey, to the 2008 financial crisis and the aftermath of 9/11, CDFIs have a strong record of stepping in as the financial first responders to support families and communities in their recovery efforts.

In fact, during the 2008 recession, OFN member CDFIs grew their business lending by 7.2 percent during recessionary years (2007-2009) while SBA 7(a) lending decreased by more than 13 percent in that same time period.[6] CDFIs like Hope Credit Union, which operates in the hard-hit Mississippi

[6] Lisa Mensah, Testimony to the US Congress Joint Economic Committee Hearing, "The Innovation Economy, Entrepreneurship, and Barriers to Capital Access", July 25, 2018. Accessed May 31, 2020.

Delta grew from seven branches before the Great Recession to 24 branches after, and doubled in asset size from $68 million in December 2008 to $124 million by December 2009. Today, Hope Credit Union has $307 million in assets and the credit union has more than 35,000 members, more than 70 percent of whom are black.[7]

CDFIs are able to weather times of economic uncertainty through a combination of strong balance sheet management, deep ties with their local communities, and public and private sector partnerships.

The CDFI Model: Capital PLUS

CDFIs are on the front lines of dealing with the economic impact of COVID-19 providing "Capital PLUS", tailoring loans to fit the individual circumstances of people in our communities and not just meeting certain credit requirements. The CDFI model sees opportunity where others see risk, and has proven lenders can provide responsible, affordable capital to low-income and low-wealth communities, and do so prudently.

As a requirement to receive certification from the CDFI Fund, CDFIs must make 60 percent of their loans in low-income communities and provide development services in conjunction with financing activities.[8] CDFIs use their deep understanding of communities and industries to go beyond lending to provide innovative programs, coaching, and technical assistance to their clients.

Beyond providing capital and technical assistance, CDFIs serve as an anchor in partnerships with community stakeholders including nonprofits, foundations, chambers of commerce, government agencies, and financial institutions, allowing them to connect entrepreneurs to a rich network of resources and opportunities.

Many CDFIs also have referral relationships with local financial institutions, whereby a bank may refer a potential borrower who is not quite ready for conventional financing to a CDFI to receive any needed training or technical assistance as well as financing. For many CDFIs, whether it is a business owner, first time homebuyer, or a small minority real estate developer, the goal is to help the borrower strengthen, improve their financial position, and eventually be able to "graduate" to traditional financing from a mainstream financial institution.

The CDFI Fund: Providing Critical Equity Capital

The fundamental business model of most CDFIs is to take equity in the form of public sector or philanthropic grants and leverage then with low-cost debt from banks motivated by their

https://www.jec.senate.gov/public/index.cfm/2018/7/the-innovation-economy-entrepreneurship-and-barriers-to-capital-access

[7] Oscar Perry Abello, "A Community Development Credit Union That Grows Every Time There is a Disaster", Next City. May 28, 2020. Accessed May 30, 2020.

[8] CDFI Fund, "CDFI Certification", Accessed June 1, 2020. https://www.cdfifund.gov/programs-training/certification/cdfi/Pages/default.aspx

Community Reinvestment Act (CRA) obligations. This is particularly true for the 50 percent of certified CDFIs that are structured as community development loan funds.

Community development loan funds have covenants with their investors (debt providers) requiring them to maintain net asset ratios at a certain level.[9] CDFIs can increase net assets through grants or retained earnings. These net assets (equity) provide assurance to the investor that if the CDFI's loans to borrowers do not perform, the CDFI has an equity cushion available to repay the investor.

Grant funds are fundamental to the business model of CDFIs and their capacity to serve low-wealth markets. The CDFI Fund is a critically important source of this grant funding and is unique among federal programs because it takes an enterprise approach to its programming by strengthening institutions through flexible grant capital rather than funding specific projects. This allows the CDFI to use their resources to meet the needs of their communities and be nimble in the response.

The catalytic impact grant dollars have in attracting private sources of capital make it an excellent use of taxpayer dollars. For every $1 in CDFI Fund grant funding, a CDFI is able to close about $12 in community development loans, with most of the additional capital coming from private sector sources.[10]

CDFIs also have a stellar track record of paying back their investors. Lending to a CDFI is a low risk way for banks to receive a modest return and, more importantly, CRA credit. Most banks' appetite for lending money to CDFIs is capped primarily by the level of the CDFI's net assets or equity. The ability of a CDFI to grow and do more in low-wealth communities is limited primarily by the size of its net assets or equity.

Federal COVID-19 Response: Limited Reach in Underserved Markets

The federal government's flagship small business relief program, the Paycheck Protection Program, demonstrated that lenders and their reach into communities was crucial to helping capital flow to small businesses. However, the program's initial reliance on existing banking relationships with mainstream financial institutions disadvantaged very small, women- and minority-led businesses in rural, urban, and Native communities.

CDFIs, who are already working in those very communities, were ready to be partners in the implementation of the program, but the PPP regulations were not designed to encourage their participation. The intention of PPP was to help small businesses survive during the pandemic, but the execution left out millions of businesses and many of the smallest businesses were missed. The impact of excluding CDFIs was clear: these program funds could not reach the borrowers without

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[9] Net assets is the non-profit accounting term for equity.

[10] CDFIs Stepping into the Breach: An Impact Evaluation, Carsey Institute for the CDFI Fund, August 2014 , p 18, figure 4. Also, Testimony of former CDFI Fund Director, Annie E. Donovan, before the House Appropriations Subcommittee on Financial Services & General Government, February 2019, p. 3

reaching the lenders. CDFIs persevered despite challenges – making $3.8 billion in PPP loans in the first round of funding.[11]

After a rocky start, Congress, the Small Business Administration (SBA) and the Department of Treasury acted to resolve some of the problems identified in the first round of funding, including access to PPP loans and SBA systems for small lenders, high barriers to entry for non-depository lenders, and access to the Federal Reserve's PPP lending facility.

Access to PPP loans and SBA systems for small lenders - In the Paycheck Protection Program and Health Care Enhancement Act (P.L. 116-139), Congress directed SBA to create a $30 billion set aside for PPP loans made by "community financial institutions", which included CDFIs.[12] In late April, the SBA provided a brief window of limited access to the SBA's e-tran system to only lenders under $1 billion in assets. These were both important opportunities for CDFIs to process their loans and have access to the SBA systems without directly competing with thousands of other PPP lenders, including those with longstanding relationships with the SBA.

The "first-come, first-served" model disadvantaged business owners who needed additional time to prepare before submitting their loan documents. By dedicating time and resources to CDFIs, lenders were able to appropriately assist their clients, who often do not readily have access to accountants or tax professionals and require technical assistance to help prepare the application.

The following are examples of CDFI PPP lending:

- California Farmlink, one of the first agricultural CDFIs in the nation focused on sustainable and organic agriculture, and economic and environmental resilience, has made more than 52 PPP loans totaling more than $2 million - including new relationships with Hmong/Southeast Asian immigrant farmers and others farmers throughout California who have had difficulty accessing PPP through other channels.

- Philadelphia, Pennsylvania-based Finanta helped Solar States, a certified B corporation that provides solar installation and education and access to Philadelphians to the green economy received a PPP loan that will keep 30 staff on payroll.
- San Jose, California-based Opportunity Fund, while awaiting designation as a PPP lender, directed its "tech-comfortable" borrowers to partners including Community Reinvestment Fund, where they could quickly apply online with little assistance. Simultaneously, another CDFI, CDC Small Business Finance, trained Opportunity Fund staff to provide one-on-one assistance to its borrowers for whom applying online was a challenge. Once designated as an approved PPP lender for the second round, CDC Small Business provided access to their platform, allowing Opportunity Fund to accept and process loans itself.

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[11] US Small Business Administration, "Paycheck Protection Program (PPP) Report: Approvals Through May 23, 2020"https://www.sba.gov/sites/default/files/2020-05/PPP__200523.pdf
[12] Public Law 116-139, Paycheck Protection Program And Health Care Enhancement Act, April 24, 2020, https://www.congress.gov/116/plaws/publ139/PLAW-116publ139.pdf

- Chicago, Illinois-based IFF is partnering with another CDFI, Community Reinvestment Fund, USA (CRF) to deploy PPP loans. The organizations committed $50 million of their own liquidity to ensuring P3 loans get to Smaller nonprofits, nonprofits serving lower-income communities, and nonprofits led by or serving people of color throughout the Midwest.

High barriers to entry for nondepository lenders - On April 30, Treasury dropped the lending volume threshold from $50 million to $10 million, opening access to more lenders. However, that action was taken more than a month after the program opened. Easing that requirement earlier in the process would have allowed more CDFIs to become PPP lenders and serve additional clients, especially in the early days of the program when demand was extremely high.

Access to the Federal Reserve's PPP facility for nondepository lenders - On April 30, the Federal Reserve also opened access its PPP facility to non-depository CDFIs which will help CDFIs access liquidity. CDFIs are just starting to be able to access the facility by developing correspondent relationship with depository institutions that have master accounts with the Federal Reserve. This process was also delayed, limiting access to liquidity at a critical time when CDFIs needed it most.

Another relief effort, the Federal Reserve's $600 billion Main Street Lending Program will likely do little to support most of the businesses served by CDFIs. The program was created to provide capital to businesses that do not qualify for the Paycheck Protection Program but are too small to access capital markets by issuing bonds or equity. However, Federal Reserve's risk requirements will exclude all but the most creditworthy businesses from accessing this program, once again leaving out many businesses in low-income and low-wealth communities that are in dire need of federal assistance.

Federal Government Must Do More

The Paycheck Protection Program was an important first step in addressing some of the challenges facing small businesses, but the economic impacts of the pandemic reverberate beyond small businesses. The fragile finances of our nation's most vulnerable have been entirely upended by the crisis – missed paychecks pushing families over the brink into financial ruin, small businesses are collapsing after months without revenue, critical affordable housing developments put on hold.

There is looming uncertainty around what is next for the economy – as the balance sheets of households and businesses suffer, will banks retract their lending and stop extending credit? Will the modest recovery in bank small business lending evaporate, leaving a hole that high cost and predatory lenders are waiting to fill? Will there be another wave of foreclosures and evictions as people struggle to repay mortgage and rent obligations? Will unemployment rates, already slow to decline in communities of color, rural, and Native communities, remain stubbornly high for years to come? For underserved communities, access to affordable financial products and services will become ever further out of reach as they are needed most.

CDFIs lend to multiple sectors – business, housing, consumer, nonprofit, healthcare, education – to ensure low-wealth communities have access to credit. To ensure an inclusive recovery, the federal government should take a comprehensive view of the needs of our economy and focus on providing equitable access to resources with a focus on the most vulnerable. Federal programs that do not reach our communities of color, our rural communities, and our Native communities must be refocused. CDFIs can be an integral part of any federal relief and recovery effort but capital is needed to reach communities.

The federal government must increase the supply of capital to mission driven lenders like CDFIs, who are adept at channeling those resources into distressed communities. The following are recommendations that will enhance the capacity of CDFIs to support the economic recovery:

- **$1 billion in emergency grant funding for the CDFI Fund -** We were extremely pleased to see $1 billion appropriation to the Department of Treasury's CDFI Fund included in the recently passed HEROES Act. More investments at this scale are needed to enable CDFIs to step up and meet the economic challenges facing our communities. While the PPP set-asides were critical in helping capital flow to small business owners impacted by the pandemic, only a small subset of CDFIs were able to become PPP lenders, and they must use their own lending capital to make PPP loans to small business customers. SBA pays a small servicing fee to PPP lenders for each loan they make, but the funds for the loan itself comes from the PPP lender.[13] More importantly, PPP loans are a short-term, focused solution to meet an immediate small business need, not a substitute for critical equity capital CDFIs need to support the medium- and long-term economic recovery.

  CDFIs are small businesses dealing with COVID-19 themselves and need equity capital assistance from the public sector to maintain their own financial health and continue to be a resource to their communities. CDFI are uniquely positioned to respond to the financial needs of low wealth markets but need their own balance sheets to be stable in order to contribute to the economic recovery. This balance sheet stability is essential to allow CDFIs to continue to leverage private and philanthropic resources. A $1 billion appropriation to the CDFI Fund will reach a much broader set of CDFIs than PPP.

- **Sustained, increased funding for the CDFI Fund programs –** Congress must provide increased funding of at least $500 million for the CDFI Fund programs in the annual appropriations cycle. The CDFI Fund programs are consistently oversubscribed, leaving qualified applicants without awards. The scale of the challenges CDFIs are seeking to meet has only grown since the start of the pandemic, yet funding for the CDFI Fund programs has been relatively flat in recent years. In addition, more mission lenders are becoming certified as CDFIs creating even more competition for limited awards. Increased appropriations will offer more financial institutions access to this critically needed equity capital.

- **Support for CDFIs led by people of color** – The CDFI Fund should collect and report data on CDFIs are led by people of color and how they are faring. It is difficult to assess award performance for loan funds, venture funds and credit unions led by people of color if this data is not collected. This information, is however, readily available for depository institutions.

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[13] Small Business Administration, "Paycheck Protection Program Interim Final Rule", Issued April 2, 2020. https://www.sba.gov/document/policy-guidance--ppp-interim-final-rule

Additionally, CDFIs led by people of color and rural CDFIs historically have faced acute challenges accessing both the public and private sector capital needed to provide financial and technical assistance to their customers. According to research by Hope Policy Institute, minority-led CDFIs constituted only 26 percent of CDFI Fund awardees in Fiscal Year 2017, the last year for which data on the racial composition CDFIs was reported. Minority-led CDFIs also have a lower average asset size when compared to their White-led counterparts. In that study, White-led CDFIs held 75 percent of all assets reported – more than six times the amount held by minority-led CDFIs.[14]

To address some of the disparities facing CDFIs led by people of color, the CDFI Fund should build off the successful approach used to enhance the capacity of Native CDFIs including targeted training and technical assistance and waiving non-federal matching fund requirements for Native American CDFI Assistance (NACA) program awardees.

The CDFI Fund should also explore ways to provide additional resources to MDIs. Now more than ever, communities need the full range of partners and financial institutions working together to address the challenges we face. Many MDIs are also certified CDFIs and have a unique ability provide essential financial products and services, especially in communities of color. At this time in our history, their importance cannot be overlooked.

- **Access to Federal Reserve Lending Facilities** - The minimum loan size and terms of the Main Street Lending Facility is a poor fit for CDFIs and their portfolios. The Federal Reserve should create a CDFI lending facility to ease liquidity challenges preventing CDFIs from doing more to meet the needs of low-wealth markets.

Looking Ahead to the Recovery: Strong CDFIs, Strong Communities

CDFIs are critical intermediaries that deliver capital to businesses and communities that need it most, building credit and financial infrastructure that provides the financing needed to improve their economic well-being. At their core, CDFIs are about partnership, innovation, and creating opportunity in those communities that are often forgotten. But the work of CDFIs is not done alone: partners like the federal government remain vital to continuing the powerful work of mission driven lenders like CDFIs. CDFIs are also a smart investment for the federal government: small amounts of public subsidy are leveraged to amplify its impact.

Additional investments in proven solutions and programs that support the work of CDFIs will stimulate the flow of capital to communities, generating economic activity that can catalyze community development, create jobs, generate income and wealth, and help chip away at the persistently high poverty rate in too many communities.

[14] Hope Policy Institute, "Closing the CDFI Asset Gap", Published April 21st, 2020, Accessed June 1, 2020. http://hopepolicy.org/blog/closing-the-cdfi-asset-gap/.

As we emerge from the pandemic and the economic costs of the pandemic become clear, CDFIs stand ready to be partners in this important work to rebuild and restore our communities. There is a path forward, but it will require partnership with the federal government, mainstream finance, and community-based lenders like CDFIs and MDIs. In order to reach out communities, you must strengthen the lenders who are already present and invested in these markets. The CDFI industry, with more than 40 years of experience working in low-income and low wealth markets, can be a powerful conduit to ensuring a more equitable economic recovery.

Thank you for the opportunity to speak with you today. I look forward to your questions.

Testimony of Michael Pugh
Chief Executive Officer and President
Carver Federal Savings Bank

Before the
Consumer Protection and Financial Institutions Subcommittee
Committee on Financial Services
United States House of Representatives
Wednesday, June 3, 2020

Chairman Meeks, Ranking Member Luetkemeyer, and members of the Subcommittee, good morning. Thank you for inviting me to discuss the important work of Community Development Financial Institutions (CDFIs) and Minority Depositary Institutions (MDIs) during the COVID-19 health and economic crisis.

My name is Michael Pugh. I am the CEO and President of Carver Federal Savings Bank, a CDFI and MDI based in New York, NY. I also serve on the Board and Chair the Membership Committee of the Community Development Bankers Association (CDBA). CDBA is the national trade association and the voice for banks that are certified as CDFIs.

First, I want to thank the members of this Subcommittee for their support of CDFIs and MDIs, particularly for providing $1 billion of funding for CDFIs through the CDFI Fund in the HEROES Act, recent provisions in the CARES Act related to streamlining applications and reporting for CDFIs, and HR 6775 to amend the CARES Act to include set asides for CDFIs and MDIs in federal provisions of liquidity to support small businesses.

Statement Addressing the Recent Protests and Unrest

Second, I would be remiss if I did not acknowledge the ongoing events, both nationwide and in New York City. These events underscore the outcry of communities insisting on equality. I think we can all agree that some of the recent approaches may be controversial, yet the demand for equality in our great nation will inevitably support the betterment of our nation's future. Carver Federal Savings Bank is a federally chartered savings bank founded in 1948 to serve African American communities whose residents, businesses, and institutions did not have equality, because of limited access to mainstream financial services. Despite our 72 year history, we recognize that there is much more to do. Carver is one of the largest African American managed banks in the United States, with seven full-service branches in the New York City boroughs of Brooklyn, Manhattan, and Queens. Carver has continuously been headquartered in Harlem, and most of our seven branches and ATM Centers are in minority-majority and moderate- income neighborhoods.

The natural outcome of our work should be the economic empowerment and dignity of all people regardless of their racial background. That is why Carver's work is focused on financial services, community development to small business entrepreneurs, and banking services that enable our communities to achieve many of their financial goals.

Introduction to Carver Federal Savings Bank – An Essential Community Resource

Carver Federal Savings Bank is a federally chartered savings bank founded in 1948 to serve African-American communities whose residents, businesses, and institutions had limited access to mainstream financial services. Carver is one of the largest African American managed banks in the United States.

The U.S. Treasury Department designated Carver as a CDFI because of our community-focused banking services and dedication to the economic viability and revitalization of our community. To do this well, we have to cover a lot of ground - there are 2,057 census tracts within our assessment area, at the center of which is the most densely populated urban area in the United States. 45.70% of the total census tracts are identified as low- to moderate-income tracts. Further – our community has been growing. Over 7.9 million people reside in Carver's assessment area, up 200,000 from Dec 31, 2015.

By numerous measures we are successful in pursuit of our mission. First off – we have a strong reinvestment ratio – approximately 80 cents of every dollar deposited at Carver are reinvested in our local markets. Another measure is our consistent "Outstanding" Community Reinvestment Act rating, highlighted by the regulators determination that our level of community development actives is "excellent," particularly in relation to our performance context. Only 9% of lenders attain an "Outstanding" CRA rating, and we are proud to achieve it time-after-time. Fully 74% of Carver's loans are made in LMI communities.

We fulfill our mission by providing access to reasonably priced loan capital and no-cost financial literacy training to aspiring Minority- and Women-owned Business Enterprises (MWBEs) and consumers across the Greater New York City region. As a leader in providing loans to MWBEs, we were Ranked #1 for three consecutive years (2014-2016) for the New York State "Bridge to Success" Loan Program and we have provided free financial literacy training to more than 16,000 individuals, mostly low-income consumers and aspiring entrepreneurs.

Carver is a leader in the provision of asset-building and deposit and cash management tools to underserved consumers and small businesses. We collaborate with the New York City Office of Financial Empowerment by providing bank accounts to unbanked families. The bank participates in a Volunteer Income Tax Assistance program designed for low-income individuals to inform residents on various financial topics and provide tax preparation services to applicable individuals. Carver also partners with the New York City Housing Authority by participating in a program to encourage unbanked residents to pay their rent at Carver branches. Through our free financial education and empowerment programs and strategic partnerships, Carver assists the community to understand the basics of banking, credit, strengthening small businesses, and achieve and retain homeownership. Our Carver Cash program serves underbanked individuals with a suite of new products and services that fulfills the needs of our community. At any of our branches, consumers can cash checks, pay bills and send or receive money transfers, and purchase discounted money orders and prepaid debit cards.

Carver works in local schools to teach parents and children about financial literacy. One of our customers, Merrick Academy, a public charter school in Queens, came to us from a larger national bank because they were not receiving the personal service and community involvement they were looking for in a bank. Outside of traditional financing, our bankers have enjoyed attending school events to educate parents and students about financial health and teaching workshops on financial literacy. While we cannot hold these events in person currently, we were able to secure a PPP loan for the school to support the 79 faculty and staff and 550 students during this difficult period of distance-learning.

We also have a Community Development Corporation subsidiary, Carver Community Development Corporation, which is a leading allocatee and leveraged lender to the New Markets Tax Credit Program (NMTC). As a three-time NMTC allocatee representing a combined allocation of $149 million, CCDC invests in key asset classes, including mixed-use, workforce and affordable housing, commercial retail, charter schools, supermarkets and community facilities.

Impact of the Health and Economic Crisis on Vulnerable Populations in New York City

As a bank intentionally serving a predominantly minority community, I am proud of my colleagues who have demonstrated exceptional leadership as financial "first responders" during the COVID-19 health and economic crisis. During this period, the challenges of minority-majority communities have been brought into starkest relief, especially in New York. As of May 31, New York City had over 200,000 confirmed cases of COVID-19, and 16,410 confirmed deaths. Distressingly, NYU's Furman Center reports that high concentrations of COVID-19 infections have been strongly linked to having a large share of black and Hispanic residents.[1]

Our communities are most likely to occupy densely populated urban neighborhoods, which are served and staffed by under-resourced public hospitals, and are represented in the commercial space by small, family owned businesses, often with few or no employees and relying largely on cash flows, absent capital cushions.

The economic effects of the COVID-19 pandemic, exacerbated by government efforts to contain its spread, have hit our communities especially hard, both on a national level and particularly in New York City. The New York Times has reported that COVID-related deaths of Black and Latino people in New York represent between a 17-27% higher percentage of deaths than these groups represent in the overall population.[2] This is at least partially attributable to the over-representation of people of color in front-line positions in essential industries who have been unable to shelter from exposure: 75% of front-line workers in the city — grocery clerks, bus and train operators, janitors and child care staff — are minorities. More than 60% of people who work as cleaners are Latino, and more than 40% of transit employees are black. [3] Of all nursing

[1] https://furmancenter.org/thestoop/entry/covid-19-cases-in-new-york-city-a-neighborhood-level-analysis
[2] New York Times, May 7th; Virus Is Twice as Deadly for Black and Latino People Than Whites in N.Y.C.,
[3] Ibid

assistants—a high-contact, essential job with elevated risks of virus contraction—33% are black.[4]

While we, as a lender, serve those members of our community whom we can reach, it is also no secret that our communities have been historically excised from mainstream finance on both a personal and commercial level, leaving us economically vulnerable to crisis. Minority communities continue to struggle to overcome thresholds to access capital. A 2018 Brookings Institution Small Business Credit Survey found that black small business owners are approved for business loans at a rate just half that of white small-business owners.[5] This lack of access to capital has knock-on effects in the form of low levels of business ownership, low levels of comparative wealth, and high risk of unemployment, exacerbated economic uncertainty, and fragile health. For example, people of color represent about 40% of the population, but only 20% of the nation's 5.6 million business owners with employees.[6] Further, prior to this pandemic, the typical Black and Latinx households had a net worth of just $17,100 and $20,765, compared with the $171,000 held by the typical white household.[7] This lack of wealth means our communities will suffer especially from the effects of the economic shut down as our neighbors lose their jobs and remain out of work: while minorities composed 37% of the labor force in February 2020, they accounted for 58% of the newly unemployed on March 14, 2020.[8]

Role of Carver as a CDFI in Responding to the Crisis

The role of a CDFI bank is to bridge the gap for financially vulnerable customers that traditional banks too often ignore. Like all CDFIs, at least 60% of our lending and activities target low- and moderate-income communities. Our lending activity for fiscal year 2020 has exemplified the success of our mission-focused lending. Fully 42% of Carver's fiscal year 2020 loans were originated in census tracts with a poverty rate of 20% or higher, and 72% were in census tracts with an unemployment rate over 12.45% -- 1.5 times the national average. Crucially, 81% of our loans in high-poverty areas, and 43% of those in high-unemployment areas, were responsible small-dollar loans made to consumers or to local businesses. The remainder supported economically essential projects such as commercial real estate, multifamily housing, and mixed-used development.

As the COVID-19 crisis has intensified, Carver Bank has responded to the needs of our communities in New York who suffer from a combination of high exposure and exceptional vulnerability by working with SBA and other government partners to implement critical programs, such as the Paycheck Protection Program, (PPP). PPP has the potential to save jobs, ensure the flow of funds to workers, and ensure the recovery and viability of the businesses that are so essential.

Through the PPP, we have made over $30 million in loans to 147 businesses in the greater NYC Region, particularly Brooklyn, Harlem, and Queens. These loans have preserved 3,147 jobs.

[4] Mckinsey & Co., May 27, COVID-19's effect on minority-owned small businesses in the United States
[5] Mckinsey & Co., May 27, COVID-19's effect on minority-owned small businesses in the United States
[6] Brookings Institute, April 14, Businesses owned by women and minorities have grown. Will COVID-19 undo that?
[7] Center for American Progress, April 14, The Economic Fallout of the Coronavirus for People of Color
[8] Mckinsey & Co., May 27, COVID-19's effect on minority-owned small businesses in the United States

Many of these emergency loans were made to small businesses that came to Carver after borrowers were shut out of the PPP lending pool at larger financial institutions in New York. Many came to Carver during Round 2 of the program in the hopes of securing funds to weather this economic storm and to find the personal level of banking and community knowledge that other institutions did not have. For example, Mukaram Taheraly owns Mushtari Hardware and Garden Supply in Harlem, which is part of the 125th Business Improvement District. Not only did Mukaram come to Carver after being left out of the first PPP round at a larger bank, his business offered gloves and mask to the bank to protect its front-line workers in our branches.

Through the PPP, Carver was also able to assist a venerable local nonprofit, the Greater Harlem Chamber of Commerce (GHCC). GHCC had also applied unsuccessfully in Round 1 through another institution. Carver was able to assist GHCC both with a grant and with expertise that helped GHCC submit a successful PPP application. GHCC has worked tirelessly in concert with Carver, The City College of New York, Columbia University, the NAACP, and others to provide much needed community support through daily food distributions to needy families as well donations of gloves, gowns, and masks to first responders at Harlem Hospital.

Another PPP loan we financed preserved 11 jobs at Baba Cool Café in Brooklyn. Gabriella Mann, the owner, and a Carver customer since she opened the restaurant in 2014, has pivoted her kitchen to producing meals for front-line workers during the pandemic.

The last PPP loan I'll mention is to Elaine Dixon, the owner of D'Little Star Daycare in Jamaica, New York. Elaine's daycare center has eleven staff members who have provided vital childcare services to local parents since 2010. Her PPP loan has allowed her to continue paying her staff and will make the transition to reopening much smoother. As we all know, childcare for the children of essential workers – especially for lower-income parents – is vital to reopening our economy safely. Elaine's, Gabriella's and Mukaram's efforts illustrate the importance of Carver Federal's on-the-ground presence in communities that are being hardest hit by the pandemic. Not only are we preserving jobs and providing access to capital to minority and women-owned small businesses, but we are also building relationships with members of our community who are more than a number or a line item in our core system. These customers are emblematic of the fighting spirit of New York City.

In my testimony, I wish to focus on the impact and importance of the CDFI Fund in promoting economic recovery in our markets, the need to modify the Paycheck Protection Program to help us save small businesses and jobs, and how to ensure that the bank regulatory agencies can help – not hinder – our ability to navigate.

My recommendations to Congress are:

- Provide at least $1 billion in emergency stimulus to the CDFI Fund that CDFIs can use to channel into the low- and moderate-income communities that are bearing the brunt of the economic crisis.
- Amend the Paycheck Protection Program to make it flexible enough to meet the needs of small businesses and nonprofits that without assistance may not survive this economic crisis.

- Ensure greater regulatory flexibility during this crisis and recovery period. Specifically, Congress needs to direct the bank regulatory agencies to implement a rule releasing additional capital into LMI communities by extending the temporary provision for community banks to be considered adequately capitalized at a lower Tier One Capital Leverage Ratio. Currently, a two-quarter grace period exists for community banks with a leverage ratio that has fallen below 8% (but above 7%). This provision should be extended for a period no less than five years.

Importance of the CDFI Fund

The CDFI Fund has played a critical role in the growth of Carver Federal Savings Bank and our ability to serve our communities over the past decade.

CDFIs need capital to respond to the economic crisis. My strongest recommendation to Congress is to support at least $1 billion in emergency stimulus money for the CDFI Fund. This capital will be put to work immediately to help small businesses, consumers, nonprofits, affordable housing developers, and other needs that will help rebuild the most deeply impacted communities. CDFIs are nimble problem solvers that know their markets, know their customers, and know how to get the job done.

CDFI Fund programs have enabled Carver Federal Savings Bank to reach vulnerable customers with products and services designed to meet their needs. The CDFI Fund's programs have also enabled us to fund major projects that would not otherwise be feasible -- but which have had a catalytic effect that creates shared prosperity.

Since 2010, Carver Federal Savings Bank has received six BEA awards totaling $1.5 million and three New Market Tax Credit allocations totaling $149 million.

One example of how we have leveraged our BEA award to support our community is our work with BronxWorks. BronxWorks is a social service agency whose mission is to assist individuals and families improve their economic and social well-being. BronxWorks was founded in 1972 as the Citizens Advice Bureau and serves over 50,000 Bronx residents a year. Approximately 95% of the individuals served are either African-American or Latino. The neighborhoods served by BronxWorks generally align with NY's 15th Congressional District, which continues to be one of the poorest urban congressional districts in the nation. Carver's BEA grant supported BronxWorks' Workforce Development Program. This funding allowed BronxWorks to provide approximately 121 unemployed or under-employed individuals with financial education and a direct path to employment, this ensuring excellent tools for a pathway to self-sufficiency. Without the BEA grant Carver would not have been able to provide this support to BronxWorks.

An example of our success in leveraging New Markets Tax credits is our investment into Pitkin's Project/Ascend Charter School in the Brownsville section of Brooklyn. The investments consisted of $13.1 million NMTC rehabilitation which transformed an abandoned, historic theater into an environmentally friendly space with 105,000-square foot for a charter school and 60,000 square feet for retail space for both small local tenants and larger regional/national retailers The project create 120 permanent retail jobs and over 90 education-related jobs in the Brownsville section of Brooklyn.

Pivot the Paycheck Protection Program for Economic Recovery

As noted, Carver Federal Savings Bank has been an active participant in the Paycheck Protection Program (PPP) since it launched in April. To date, we have originated 147 loans totaling $30 million. In Round 1, our average loan size was $268,000. In Round 2, our average loan size is $195,000 and 61% of our loans are under $50,000. Additionally we made many loans in both Rounds 1 and 2 to tiny businesses and sole proprietors under $10,000 -- 20% of our PPP loans have been $10,000 or under. Our smallest loan to date was $1,401.

Most of our PPP loans go to the smallest, most vulnerable businesses and the most distressed communities. Fully, 35% are in areas where the poverty rate exceeds 20%, and 23% are in communities with an unemployment rate greater than 12.45%. While we do not have data on the demographics of the business, as a general proxy, 67% of our borrowers are located in communities where minorities comprise 50% or more of the population.

Last week, the Administration announced the creation of a $10 billion PPP set-aside for CDFIs. On one hand, this is an exciting new opportunity to help small businesses and nonprofits in our community. Thousands of small businesses and nonprofits in New York desperately need help. On the other hand, deployment will be an impossible task without legislative and regulatory changes to PPP. As currently structured, the PPP does not fit the needs of many organizations in our community.

PPP was originally envisioned as a tool to save jobs – a purpose I wholeheartedly support. As the depths of the economic crisis are becoming more evident, it is clear that to save jobs we need to save the businesses too. I urge Congress to pivot PPP from an emergency band-aid to a recovery tool.

To be a recovery tool, PPP needs to allow greater flexibility in the use of funds. Many businesses need to pay their rent, utilities and suppliers to keep their doors before they can hire back employees. Currently only 25% of PPP can be used for non-payroll expenses. We appreciate the increase to 40% in the recently passed House bill. In this circumstance, however, the more flexibility the better since every business and nonprofit is different.

I fully appreciate the great challenges faced by the SBA in rolling out the PPP as quickly as it did in the face of a crisis. Yet, the piecemeal roll out has created confusion about eligibility, program rules, and forgiveness. Some of the rules and guidelines were issued after borrowers received their loans. Now business owners are unsure whether they need to pay the money back or not – or whether their loans will be forgiven.

Small businesses and nonprofits are already under great stress. In fact, over the past several weeks, I have spoken to many panicked customers. They see livelihoods and their dreams vanishing as their businesses are on the brink failure. It is not their fault or their failure, but it is their new reality. Moving forward, I urge that small businesses be permitted to also use funds for restart activities, such as buying inventory or making leasehold improvements to allow social distancing. Congress has provided resources. We need to simplify and make the rules more flexible if we are to help these enterprises survive this economic turbulence.

According to a recent survey conducted by National Federation of Independent Business, 75% of surveyed small business owners find the terms and conditions of the PPP loan difficult to understand.

Luckily, despite the chaotic roll-out and programmatic challenges, Congress can fix the problem. Small businesses and nonprofits have a wide range of needs. A one-size fits all approach will not work. Making the use of funds more flexible and clarifying the rules for forgiveness will go a long way to maximizing the effectiveness of PPP.

Second, CDFIs need time to deploy the resources. Congress needs to extend the application period and rehiring deadlines through December 31, 2020.

Third, the loan forgiveness application and rules need to be streamlined. This is particularly true for the smallest businesses. I propose that businesses with PPP loan of less than $100,000 should have a forgiveness application not exceeding two pages.

To this end, I wish to submit for the record along with my formal statement, a letter from the Community Development Bankers Association, the trade association for the CDFI banks, and Inclusiv, the trade association for CDFI credit unions, that includes a set of recommendations to help make PPP work better in the communities we serve.

Congress should recognize that businesses in low- and moderate-income and minority communities are often the most fragile. The severity of the current crisis threatens the viability of most enterprises. Economic recovery will be slowest in these communities but Congress can help by making sure practitioners on the ground have the tools they need to help.

In conclusion, I thank Chairman Meeks, Ranking Member Luetkemeyer, and the members of the Committee for the opportunity to talk to you about the work of Carver Federal Savings Bank and the hardships faced by the communities we serve.

Statement by Samuel C. Scott III
Retired Chairman, President, and Chief Executive Officer
Corn Products International, Inc. (now Ingredion Inc.)

Before the United States House of Representatives Committee on Financial Services
Subcommittee on Consumer Protection and Financial Institutions

June 3, 2020

Good afternoon. Chairwoman Waters, Ranking Member McHenry, Chairman Meeks, Ranking Member Luetkemeyer, members of the subcommittee, thank you for the opportunity to participate in today's discussion. I am the retired Chairman and CEO of Corn Products International, today known as Ingredion. I co-chair the American Business Immigration Coalition (ABIC), and I am the Founder and Chairman of Black Chicago Tomorrow.

Today, I would like to talk about some of the problems facing the black communities in our country, and what the COVID-19 pandemic has done to amplify the economic and health disparities in our black communities. The coronavirus is deadlier for the black population both in health and economic outcomes.

While our entire nation is suffering immensely from the coronavirus pandemic, the reality is that members of the black community are dying at an exponentially higher rate than other groups. As the saying goes, "When white folks catch a cold, black folks get pneumonia." In the major cities with black populations between 25-30%, black people represent a staggering 70-75% of the deaths.

Black owned businesses and non-profits are at an increased risk of being forced to close as compared to their white counterparts. Black entrepreneurs are routinely shut out from economic opportunities that allow their white peers to succeed. According to research from The Brookings Institution, white-owned businesses start with three times more capital than their black peers, and only 1% of black business owners are able to secure loans in their founding year, compared to 7% of their white counterparts.

Without significant intervention, this trend will continue.

We have already seen the entrenchment of such inequities during the opening days of the Paycheck Protection Program (PPP). By prioritizing clients that already have existing lines of credit, black businesses and non-profits find themselves yet again excluded from life-saving relief. Without significant intervention that take these disparities into account, black businesses and non-profits will be forced out of our economy and our communities.

PPP2 has been better, but it is still not reaching the majority of small black and brown businesses. That is why we pushed so hard for a set-aside. With the $10 billion set-aside for Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) to serve minority businesses, we can at least start to get money to the communities that need it the most.

Over the past month, ABIC has conducted webinars for small businesses on how to apply for a loan and how to file for forgiveness. Thousands have attended but a very small percentage were minority owned businesses. In the Chicago area, Cook County Board President, Tony

Preckwinkle, heard one of the webinars and she provided money for ABIC to hire a person to locate and bring small black and brown businesses into the application process. In one week, this new staff person found over 200 black-owned businesses with an average loan of $37,000 for a total of more than $4.7 million. These are businesses that for some reason did not apply or did not know about the PPP. The ABIC also provided a pro bono accountant to walk these small black-owned businesses through the PPP application process and now they have their money, which came through a local black bank owned by a CDFI.

Through this process, we learned about what is working, and what needs to be improved. But I think the larger question is: How do we leverage this pandemic, translate the deep pain and anger into more effective solutions, in order to ensure that communities like ours that are getting hit first and the hardest, will thrive again?

I would argue that we have to take this opportunity to reimagine and reinvest in our business infrastructure in the small- and medium-sized businesses so that our businesses and communities can actually emerge from this crisis even stronger.

Let me step back to speak to some of the root causes to the economic and health disparities within the black communities prior to COVID. I will speak from my experience in Chicago.

Chicago is arguably the capital of Black America. The legacy of African Americans reverberates from companies such as Johnson Publishing, with its flagship publications, Ebony and Jet, Johnson Products, and Soft Sheen. The first black President, Barack Obama, and the former First Lady, Michelle Obama, came from Chicago.

But violence has been the singular dominating narrative of Chicago for many years. I have been traveling to Chicago for almost 50 years and lived there for the past 32 years. I have seen the black community in Chicago go from its heyday to where it is today. It is that loss and the violence that motivated me to start Black Chicago Tomorrow in 2016 to try to regain the prominence that the black community once had. My contention is that no one thing, including PPP, can fix the problems in black communities in our country.

Our communities suffer from:

- A violence and safety problem
- A policing problem
- A jobs and careers problem
- A housing and community problem
- A drug problem
- An educational and schooling problem
- A family unit problem
- A health and healthcare problem
- A poverty problem

And, a lack of hope.

But we cannot be limited to examining the problems. These are very complex issues, and one solution does not fit all. All of these issues must be addressed at the same time to bring our communities back. I don't have all the answers. But I bet if the people in this room work together to address the entirety of this issue we could really make something good happen.

This starts with doing the right thing today for our small businesses. Without that, there is little hope that we can even start to deal with these other issues that must be addressed.

I am glad that the second round of the Paycheck Protection Program has reached smaller businesses and more businesses of color. We are appreciative for the legislation creating a $10 billion set-aside to reach more minority businesses. I am encouraged that the House, in near unanimity last week, approved a 24 week extension and greater flexibility in the loan forgiveness process. We hope that the Senate will concur quickly, but we still have to do more.

Here are some recommendations.

First:

Open technical assistance to community based non-profits or 501(c)(3) organizations. We know that larger and well-resourced firms have chief councils, CFOs, and CPAs to navigate this complex world of institutions, business loans, and document preparation. Congress needs to make technical assistance dollars available to non-profit community based organizations to assist our minority entrepreneurs. The CARES Act appropriates $240 million in technical assistance funds to university-based Small Business Development Centers (SBDC), which does not reach businesses of color. That needs to change. Technical assistance to community nonprofits will level the playing field to ensure that our small businesses of color will receive the same one-to-one financial coaching to survive the crisis.

Second:

Allow small businesses of color to apply for another round of the PPP and simplify the forgiveness process. With over $100 billion left in PPP, Congress needs to allow small businesses of color, hit the hardest, with another forgivable loan to survive. Remember, over 94% of black businesses are sole proprietors, meaning only 6% have more than one employee. These are the smallest, most vulnerable, and underbanked businesses that will require additional resources to survive.

Third:

A long-term recovery plan to develop a coherent policy and programmatic agenda for businesses of color. In addition, one-to-one financial coaching, regular training and webinars, access to capital, and help with strategies to survive this pandemic.

If we implement the current program as intended, and get the money to the small minority businesses that really need it, we have a chance to save many of them.

But as I have said throughout, they need this and much more.

Thank you for the opportunity to testify today. I look forward to answering your questions and working together to move forward.

ICBA
INDEPENDENT COMMUNITY
BANKERS of AMERICA

Testimony of

James H. Sills, III

Chief Executive Officer and President

M&F Bank

On behalf of the

Independent Community Bankers of America

Before the

United States House of Representatives

Committee on Financial Services

Subcommittee on Consumer Protection and Financial Institutions

Hearing on

"Promoting Inclusive Lending During the Pandemic: Community Development Financial Institutions and Minority Depository Institutions"

June 3, 2020

Washington, D.C.

Chairman Meeks, Ranking Member Luetkemeyer, and members of the Subcommittee, I am James Sills, CEO and President of M&F Bank in Durham, North Carolina. I testify today on behalf of the Independent Community Bankers of America where I serve as Vice Chairman of the Minority Bank Advisory Council. Thank you for the opportunity to testify at today's hearing on "Promoting Inclusive Lending During the Pandemic: Community Development Financial Institutions and Minority Depository Institutions." M&F Bank is an MDI as well as a CDFI, and I am pleased to provide our perspective to this important discussion.

We must ensure that the pandemic does not set back the critical policy goal of promoting credit and financial opportunity and prosperity in America's minority communities. The social unrest and protests we are witnessing today – not only in our cities but in our suburbs and smaller towns as well – only raise the stakes for achieving this goal. This hearing is well timed.

With the 1989 FIRREA, Congress recognized the importance of preserving and promoting MDIs, not for their own sake but for their role in promoting economic prosperity in the historically marginalized communities they serve. MDIs are diverse in terms of the ethnic communities they serve, asset size, market demographics (urban, suburban, rural), and other defining characteristics. MDIs face unique challenges, including (as discussed below) access to capital, in addition to the challenges that face all community banks, which include: regulatory compliance expense disproportionate to any systemic or consumer risk they pose; historically low interest rates; and competition from larger banks, tax-exempt credit unions and less regulated, non-banks. These are the challenges we face in "normal times." The pandemic presents the added risks of poor credit quality, stunted economic growth, and historically high unemployment, though, with well-crafted economic policy, I believe these conditions can be reversed and economic growth restored in the near term.

I would like to thank Chairman Meeks and this committee for bipartisan passage of the Ensuring Diversity in Community Banking Act (H.R. 5322). We are pleased that this legislation has advanced as part of the HEROES Act. It is appropriate that a legislative package designed to mitigate the impact of the current pandemic should include provisions to strengthen MDIs so that we may better promote the economic recovery and ensure that it is broad and inclusive.

We were grateful for the opportunity to offer input on this bill at a hearing before this committee last October. We hope to continue to work with you as it advances through the process.

Our Story

M&F Bank is a $265 million asset state-chartered bank with over 70 employees. We are headquartered in Durham and serve the five largest urban markets in North Carolina: Charlotte, Durham, Greensboro, Winston Salem and Raleigh.

M&F was founded in 1907 by a group of nine successful businessmen in Durham who were active community builders in a thriving district of Durham that came to be known as Black Wall Street. Their goal was to create a bank to serve African Americans who had few opportunities to obtain financing for their business ventures or homes and few places to safely deposit their money and earn interest. Many MDIs have similar stories. ICBA President Rebeca Romero Rainey led an MDI in Taos, New Mexico, Centinel Bank, founded in 1969 by her grandfather after he was declined a loan for a mere $500 to setup a law practice. The challenge of banking minority communities continues today.

Today M&F Bank serves a diverse customer base. We serve everyone in our communities and have had a Community Reinvestment Act rating of Outstanding for 25 years. Our primary customer base is the African American community. Approximately 45 percent of our individual customers are 50 years old or older, though we have begun to target a younger demographic in the 30 to 49 age range.

Our business is focused on various forms of commercial lending: commercial and industrial loans (C&I), Small Business Administration loans, commercial real estate, multi-family mortgages, as well as lending to nonprofits and churches. Commercial lending constitutes about 90 percent of our loan portfolio, while consumer lending constitutes about 10 percent.

Our rich history continues to inform our values and our mission today: To promote personal and community development in the communities we serve. The future of the bank is to continue to provide access to capital to diverse small and medium size businesses and continue to be a financial literacy leader to help customers make the right financial decisions.

Paycheck Protection Program

The primary response of Congress and the Administration to the economic challenges presented by the pandemic is the Paycheck Protection Program (PPP). This program has played a critical role in helping small businesses in my markets and across the country maintain their employment, survive, and prepare for the reopening of the economy. I thank this committee for your role in crafting the program.

Like many MDIs and community banks, M&F Bank has strongly leaned into the PPP. We were an active SBA lender before the PPP and have long used the agency's programs to serve small and medium sized businesses. The PPP fit our lending process and our customer profile perfectly. What's more, as an MDI and a CDFI, we enjoy strong connections to our communities and our small businesses. Solid relationships and a feedback loop were already in place before the launch of the PPP. When there was a doubt or a question, our borrowers simply picked up the phone to resolve it.

Overall, the PPP is definitely working as intended to help businesses and other employers retain and pay their employees. We estimate that M&F's PPP loans have supported the retention of some 1,200 employees. I'm confident that other MDIs and community banks generally have had similar results.

Perhaps one of the most important achievements of the program is that it is forcing some businesses to pivot or change their business models to the new normal of life under pandemic restrictions and the possibility of future pandemics. Small and medium sized businesses are investing and leveraging technology to better serve their customers and position their firms for increased growth in a post-COVID-19 environment.

I'd like to share with this committee some data on our PPP lending. To date, we have closed 130 loans totaling $12.6 million. In Phase 1 our average loan size was $155,000, and in Phase 2 it was $57,000. Why the stark difference in loan size? From what I have observed, the larger and more technically proficient businesses were ready to submit their applications in Phase 1, while the smaller, "mom and pop" Phase 2 businesses, with fewer technical resources, needed more time to prepare their applications. We plan to continue to process PPP applications until the funding runs out. Currently, we are receiving on average one to two applications per day. Any criticism of the program, though warranted, should be kept in perspective. The PPP has had a significant positive impact and we are undoubtedly in a better place economically because of the program and because of the thousands of community banks that worked heroically and around the clock to process a flood of applications in a very short time frame.

Recommendations for Improving PPP

ICBA is supportive of provisions in the Paycheck Protection Program Flexibility Act (H.R. 7010) which passed the House last Friday. Two provisions in particular will help borrowers.

First, replacing the rigid requirement that 75 percent of loan proceeds be spent on payroll as a condition of loan forgiveness with a 60 percent payroll spend requirement. ICBA continues to advocate for a 50/50 split, but 60/40 is a significant improvement.

Second, H.R. 7010 extends the timeframe in which PPP funds must be spent as a condition of forgiveness from 8 weeks to 24 weeks. The 8-week timeframe was simply unrealistic and unworkable. Many non-essential businesses are just now reopening and have not had the opportunity to spend their PPP funds.

While these two provisions are very helpful, ICBA supports additional changes to the program as discussed below.

Easy-to-Use Forms and Procedures for PPP Forgiveness

It is my fear that as bankers we will be working with borrowers on the forgiveness application for the remainder of 2020. This will be a distraction from the critical and fundamental task of lending money to help rebuild local economies, working with troubled borrowers, and reopening our branches in a way that is safe for our customers and employees. The certainty provided by a simplified process would allow borrowers to focus on sustaining the viability of their businesses. Complex calculations are an unnecessary distraction in a challenging environment. Borrowers should not have to hire accountants at expensive fees to assist with loan forgiveness. What's more, borrowers whose first language is not English are struggling with the forgiveness forms and procedures and would greatly benefit from simplification.

We recommend the following changes:

- For all loans with an original balance of $1 million or less, allow a presumption of compliance based on the borrower's certification that the funds were used in accordance with the terms of the program. A threshold of $1 million for presumed compliance would be consistent with Secretary Mnuchin's intention to focus audit resources on loans in excess of $2 million.

- Require Treasury and the Small Business Administration (SBA) to promptly provide a straightforward, easy-to-apply approach to loan forgiveness. The 11-page loan forgiveness application released by Treasury on May 15 is overly complex and detailed. Nearly all community bank PPP loans are less than $1 million and the vast majority are less than $100,000.
- Provide a PPP loan forgiveness calculator to allow the borrower and lender to easily determine the forgiven amount.
- Create a streamlined form, comparable to the IRS Form 1040 EZ, for self-employed borrowers and independent contractors with few resources to complete a complex form.

The Carve Out Has Worked and Should be Replicated in Future Loan Programs

In our view, the $30 billion carve out of Phase 2 funding for MDIs, CDFIs and community banks with assets of less than $10 billion was a strong success. Last week, SBA set aside an additional $10 billion specifically for CDFIs, an action we welcomed. We support Chairwoman Waters' call for an additional $10 billion to be set aside for MDIs. The carve out or set aside has made a real difference in terms of channeling funding to minority firms and, in retrospect, should have been available in Phase 1 as well.

If there is another phase of PPP or a similar lending program, I urge you to consider replicating the carve out to ensure the program is effective in promoting inclusive lending.

Recommendations for Strengthening MDIs and CDFIs

In addition to the PPP, an emergency program created in response to unprecedented circumstances, Congress should consider permanent measures to strengthen MDIs and CDFIs. H.R. 5322 contains important provisions, but more is needed.

Capital

MDIs and CDFIs need access to new, non-traditional ways of raising capital. With limited or no access to the capital markets, MDIs and CDFIs are forced to rely on retained earnings, which makes it difficult to compete with larger institutions. Access to capital is critical for our preservation and to ensuring that fair and equitable access to the financial system is preserved for the communities we serve.

Resources for CDFI Fund

ICBA recommends $1 billion in funding for the CDFI Fund of the U.S. Department of the Treasury. CDFIs are one of the best market-based strategies for leveraging and channeling needed resources to distressed communities. In response to the last financial and economic crisis, the 2009 American Reinvestment and Recovery Act included funds for the CDFI Fund, and this proved to be a very effective investment which supported the resiliency of small business and consumers. The CDFI Fund should be a part of the solution to today's crisis, and we were pleased to see it included in the HEROES Act.

Application and Recertification Process for Community Development Financial Institutions

ICBA believes that many MDIs that are eligible for CDFI status choose not to apply because of the burdensome application process. CDFI status would allow these institutions to use more flexible underwriting standards, potentially attract outside capital, and become eligible for competitive and technical assistance grants to offer new programs and services to customers.

For these reasons, ICBA proposes that the agencies create a streamlined CDFI application in which, at the bank's option, the FDIC, OCC or Federal Reserve would perform initial loan portfolio analyses on behalf of the bank.

According to ICBA surveys, community banks view loan portfolio analysis as the most burdensome aspect of the CDFI application. If the prudential regulators were to perform the analysis on behalf of the banks, we believe many MDIs and other community banks would take advantage of the streamlined process and obtain the benefits of CDFI status. This would be similar to a National Credit Union Administration program in which the agency analyzes a credit union's loan portfolio and produces a report for the credit union to use in their CDFI application. If a bank does not want the prudential regulator to conduct the analysis for them, the bank can still use the current, non-streamlined application to become designated as a CDFI.

By the same token, banks such as mine that have obtained CDFI status should not be burdened by annual recertification. This process is a distraction from the business of serving my customers and communities. I recommend that we return to a three-year cycle for recertification. The Fund should be able to use data that we supply to other agencies to streamline the process.

Lower Capital Requirements for De Novo MDIs and CDFIs

We have seen a dearth of de novo MDIs in the last 10 years. Only one has been approved by the FDIC. Changes are needed to encourage more applicants and replenish the reduction of charters in recent years.

One of the biggest hurdles to creating a new bank is the high capital requirements imposed by the FDIC. At present, the FDIC expects the initial capital of each de novo institution to be sufficient to provide a tier-one-capital-to-assets leverage ratio of not less than 8 percent throughout the first three years of operation. In addition, the institution must maintain an adequate allowance for loan and lease losses. In short, the de novo institution must have capital on day one equal to 8 percent of what it projects its assets will be three years from the opening date.

To ease the burden of raising capital and encourage the formation of new de novo minority depository institutions, the FDIC should lower its tier-one-capital-to-assets leverage ratio and phase it in for minority de novo banks. Specifically, the FDIC should only require de novo MDIs to have 6 percent capital on day 1, 7 percent at the beginning of the second year, and 8 percent at the beginning of the third year. This would give new MDIs additional time and a more gradual on-ramp to meet the its capital requirements.

Regulatory Relief

MDIs could be helped by the same policies that would help all community banks: additional regulatory relief. As smaller institutions with limited access to outside capital and limited legal and compliance resources, MDIs are disproportionately and adversely impacted by the surge of new regulations which began before the financial crisis and only intensified in its wake. Our size and niche markets effectively insulate us from systemic risk, and the stake we hold in our communities, where our reputation for fair dealing can make or break our franchise, make consumer mistreatment or abuse impossible. We ask this committee's support in further tiering of regulation, which would provide relief for MDIs and for all community banks.

In this regard, I want to thank this committee for passage of two regulatory relief bills. The first is the SAFE Banking Act (H.R. 1595), sponsored by Rep. Ed Perlmutter, which creates a safe harbor for financial institutions that serve cannabis-related businesses and their service providers in states that have legalized cannabis. The safe harbor created by H.R. 1595 will give us the assurances we need to operate without fear of retaliation from our regulator, the OCC, or other federal authorities.

The second bill I wish to mention is the Corporate Transparency Act of 2019 (H.R. 2513), sponsored by Rep. Carolyn Maloney, which would require companies to disclose their "beneficial owners" to the Financial Crimes Enforcement Network (FinCEN). The current Customer Due Diligence Rule requires financial institutions to collect this information from company account holders. However, FinCEN collection of beneficial owner information, as opposed to its collection by banks, would provide uniformity and consistency across the United States. Making the formation of an entity contingent on receiving beneficial owner information more directly would create a strong incentive for equity owners and investors to provide such information and ensure its accuracy.

Conclusion

Thank you again for convening today's hearing and for the opportunity to offer our perspective. We look forward to continuing to work with you to strengthen MDIs and CDFIs and promote inclusive lending for the duration of the current crisis and into the recovery.

I'm happy to answer any questions you may have.

CDBA / inclusiv /

June 1, 2020

The Honorable Mitch McConnell
Majority Leader
United States Senate
317 Russell Senate Office Building
Washington, DC 20510

The Honorable Chuck Schumer
Minority Leader
United States Senate
322 Hart Senate Office
Washington, DC 20510

The Honorable Nancy Pelosi
Speaker of the House
United States House of Representatives
1236 Longworth House Office Building
Washington, DC 20515

The Honorable Kevin McCarthy
Minority Leader
United States House of Representatives
2468 Rayburn House Office Building
Washington DC 20515

Dear Majority Leader McConnell, Minority Leader Schumer, Speaker Pelosi, and Minority Leader McCarthy:

We, the undersigned trade associations for banks and credit unions that are certified Community Development Financial Institutions (CDFIs), are pleased that Congress is taking bipartisan action to enact reforms to the Paycheck Protection Program (PPP). PPP has been a critically important emergency tool -- particularly for the low- and moderate-income (LMI) and minority communities bearing the brunt of the recession. The Community Development Bankers Association (CDBA) and Inclusiv support the amendments included in H. R. 7010, the "Paycheck Protection Program Flexibility Act," and in H.R. 6800 the "HEROES Act" which will help provide greater flexibility to meet the needs of small businesses and nonprofits in these markets. We strongly urge you to enact the full range of recommendations below.

Top Priorities for PPP Reform – Relevant to All Lenders

Small businesses represent a wide range of business models and occupy vastly different operating environments. The current terms have proven too restrictive to be fully useful for some businesses, unintentionally stifling demand. More flexible spending parameters, terms and forgiveness provisions would allow more businesses to participate in PPP, thus remaining viable and retaining and rehiring more employees.

- Expand PPP beyond a paycheck emphasis: Reduce the limitation on non-payroll expenses. Saving BOTH jobs and small businesses is critically important for recovery and small businesses must pay rent, utilities, and other non-payroll expenses to remain viable and rehire workers.
- Extend the application period and rehiring deadlines through December 31, 2020.
- Streamline the loan forgiveness application.
- Affirm that CDFIs are eligible PPP borrowers. The CARES Act made a broad swath of small businesses and nonprofits eligible. Yet, the SBA has imposed restrictions on types of eligible borrowers based on their business activity in direct conflict with the CARES Act.

Additional Reforms to Help CDFIs Serve the Neediest Communities and Borrowers
The smallest businesses are often the most fragile and the current recession threatens the viability of a large portion of them. Many are located within low- and moderate-income communities and/or are businesses owned by entrepreneurs of color that are experiencing severe distress. Congress and the Administration need to ensure that PPP resources reach the smallest businesses.

- The current fee structure works against the smallest borrowers. Lender fees are currently calculated as a percentage of the total loan amount. A fee floor will level the playing field. The smallest loans often go to borrowers with the least capacity and require lenders to spend more time.
- Streamline the forgiveness process – particularly for the smallest enterprises. Small loans under $100,000 should have a forgiveness application not exceeding two pages.
- Earmark all funds returned by businesses that should not have qualified for PPP to the US Treasury's CDFI Fund for distribution to CDFIs to lend to communities hard hit by COVID 19.

Giving CDFIs Tools to Help Small Businesses Over the Long Haul
The economic recovery will take time, but prior recessions and natural disasters have taught that economic recovery will be slowest in LMI communities. We urge further enhancements to support the long-term recovery needs of LMI borrowers.

- Authorize use of PPP loans originated by CDFIs for activities needed by borrowers to restart (i.e. buying inventory or equipment, leasehold improvements to allow social distancing).
- Increase the eligible loan amount from 2.5 to 5 times payroll.
- Ensure access to payroll tax deferment for PPP borrowers.
- The smallest businesses often have the least capacity and therefore require the most assistance, which is often provided by CDFIs. Treasury and the Small Business Administration (SBA) should make sure small borrowers receive the full benefits of the program while also ensuring CDFIs receive a measure of protection from lender liability while acting in good faith in providing technical assistance under the program.
- If a PPP loan is not fully forgiven and a loan term needs to be extended, allow CDFIs to reset the interest rate up to the CARES Act ceiling of 4% to ensure CDFIs can cover their costs.
- Authorize more forgiveness flexibility. 2 examples: Allow a 2nd forgiveness event after the initial event if a borrower can demonstrate funds were used to pay employees by 12/31/2020. Allow forgiveness if a borrower demonstrates they were unable to rehire existing employees, identify similarly qualified employees, or can demonstrate an inability to return to the same level of business.

Thank you for your consideration on this important matter. We look forward to continuing to work with you for the benefit of low- and moderate-income communities as this crisis evolves.

Sincerely

Jeannine Jacokes
Chief Executive Officer
Community Development Bankers Association

Cathleen A Mahon
President and CEO
Inclusiv

cc:
Senator Marco Rubio, Chairman, U.S. Senate Committee on Small Business and Entrepreneurship
Senator Ben Cardin, Ranking Member, U.S. Senate Committee on Small Business and Entrepreneurship
Senator Mike Crapo, Chairman, U.S. Senate Committee on Banking, Housing and Urban Affairs
Senator Sherrod Brown, Ranking Member, U.S. Senate Committee on Banking, Housing and Urban Affairs
Chairwoman Maxine Waters, U.S. House Committee on Financial Services
Representative Patrick McHenry, Ranking Member, U.S. House Committee on Financial Services
Chairwoman Nydia Velázquez, U.S. House Committee on Small Business
Representative Steve Chabot, Ranking Member, U.S. House Committee on Small Business
The Honorable Steven T. Mnuchin, Secretary, U.S. Department of the Treasury
The Honorable Jovita Carranza, Administrator, U.S. Small Business Administration

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Citi
Statement for the Record
Hearing entitled
"Promoting Inclusive Lending During the Pandemic: Community Development Financial Institutions and Minority Depository Institutions"
before
The Subcommittee on Consumer Protection and Financial Institutions
of the
House Financial Services Committee
June 3, 2020

Chairman Meeks, Ranking Member Luetkemeyer and Members of the Subcommittee:

Thank you for the opportunity to submit a statement for the record on Citi's partnership with Minority-Owned Depository Institutions ("MDIs") and Community Development Financial Institutions ("CDFIs").

Before we address these topics, we must clearly state that Citi recognizes that racism continues to be at the root of so much pain and ugliness in our society – from the streets of Minneapolis to the disparities inflicted by COVID-19. As long as that is true, America's twin ideals of freedom and equality will remain out of reach. Citi cherishes diversity and inclusion and is willing to stand up for those values when they are threatened.

We also believe that financial inclusion must remain a priority and, to this end, programs supporting MDIs and CDFIs are critical, perhaps now more than ever.

<u>Citi's Recent Efforts to Support MDIs</u>

Citi is proud of its long-standing commitment to MDIs and its work to help them better serve diverse communities across the U.S. To this point, Citi was the first bank to help launch and pilot the U.S. Department of Treasury's Financial Agent Mentor-Protégé Program that pairs designated financial agents with MDIs. Through this program, Citi has signed partnering agreements with three Black-owned depository institutions and one Native-American owned and operated bank. To date, Citi has engaged in knowledge transfer sessions, lending expertise and guidance in functional areas specific not only to becoming a financial agent, but also in ways that seek to enrich the banks more broadly. Citi is now focused on developing pathways for achievement specific to each protégé bank and their customer base through deliberate collaboration and exploration.

On May 20, 2020, Citi, in partnership with the National Banking Association ("NBA"), announced an additional effort to support MDIs participating in the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"). Citi has created a purchasing facility that allows it to buy PPP loans in the secondary market from MDIs who originated the loans under the PPP. Citi's purchasing facility will assume up to $50 million in SBA loans from MDIs, which serve urban and underserved communities.

NBA Member Banks that are MDIs and have SBA PPP lender approval ("Member Banks") are able to take part in this purchasing program with Citi. This partnership will provide Member Banks with capital by enabling them to sell loans originated under the PPP to Citi in the secondary market. This asset purchase will move the loans off the MDI's balance sheet and over to Citi. Servicing of the loans will remain with the originator banks and MDIs participating in the program have the potential to retain 100 percent of the fees earned through the origination of the loan through the SBA. Unity National Bank (Houston, Texas) is now participating in the program and several other MDIs are in the process of completing the documentation required to participate.

Citi Recent Efforts to Support CDFIs

Citi has also taken steps to support CDFIs. Citi Foundation announced last month the launch of the COVID-19 U.S. Small Business Relief Program, with an initial $7.5 million in funding to support efforts by CDFIs to serve small, diverse entrepreneurs. Specifically, Citi has made investments in the following CDFIs:

- The Center for Community Development for New Americans, doing business as the Business Center for New Americans ("BCNA"), which provides affordable loans to low- and moderate-income immigrant and refugee small business owners. Citi's COVID-19 funding will support direct lending as well as assisting small businesses in accessing the SBA 7a stimulus program as well as city and state resources.

- The Asian Americans for Equality's Renaissance Economic Development Corporation ("AAFE"), which provides affordable loans to low-and moderate-income immigrant small business owners. Citi's COVID-19 support will enable direct lending as well as assisting small businesses in accessing the SBA 7a stimulus program as well as city and state resources.

- Accion East, which empowers low-and moderate-income business owners through access to capital and financial education. These entrepreneurs, primarily minorities and women, build assets, better provide for their families, create employment, and strengthen their communities. Citi's COVID-19 support will enable direct lending as well as assisting small businesses in accessing the SBA 7(a) stimulus program as well as city and state resources.

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- Inclusiv, which is the national network of community development credit unions, and works to remove barriers to financial inclusion by increasing the capacity of locally-owned and controlled financial institutions to provide credit and access to financial services for low- and moderate-income communities. Citi's COVID-19 response funding will support three efforts in 2020-21 to provide access to cash and emergency financing for impacted Low- and Moderate-Income ("LMI") Hispanic communities.

Citi has also announced that it will donate the profits earned from its administration of the PPP to CDFIs, providing them with support to build capacity and bring on additional personnel to serve their communities. In addition, Citi supports many CDFIs and MDIs by providing their customers with surcharge-free withdrawals and balance inquiries at Citibank locations.

Citi remains committed to both MDIs and CDFIs and strongly supports the key role they play in meeting the needs of our nation's economy. To this end, we will continue to look for innovative ways to support them and the communities they serve. We thank you again for the opportunity to submit this statement for the record.

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CUNA MUTUAL GROUP

June 9, 2020

The Honorable Gregory Meeks
Chairman
Subcommittee on Consumer Protection and Financial Institutions
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Blaine Luetkemeyer
Ranking Member
Subcommittee on Consumer Protection and Financial Institutions
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Dear Chairman Meeks and Ranking Member Luetkemeyer:

I am writing on behalf of CUNA Mutual Group to thank you for hosting the very timely hearing on June 2, 2020 titled, "Promoting Inclusive Lending During the Pandemic: Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs)." CDFIs and MDIs are on the frontlines of the pandemic and economic crisis, providing liquidity to low-income communities and small businesses. Therefore, we urge Congress to approve an emergency stimulus appropriation of at least $1 billion to enable CDFIs to maintain operations and continue to inject capital into low- and moderate-income communities. We also ask that you encourage the Small Business Administration (SBA) to accelerate approval and onboarding of all eligible lenders onto the e-Tran platform.

CUNA Mutual Group is the nation's leading provider of financial products and services to credit unions and credit union members. Through our companies, we serve as an insurer, a retirement plan services provider, a broker-dealer, and a registered investment advisor. As part of the cooperative movement, we embrace the credit union philosophy of "people helping people" and our company's mission is to "Help people achieve brighter financial futures."

CDFI credit unions are critical during this crisis; maintaining branch operations, ensuring people have access to their funds, helping consumers access those funds remotely and safely, providing forbearance on loans and offering emergency relief and assistance to help members in their community. CDFI-certified credit unions constitute about 27% of all certified CDFIs, serving 12 million consumers with $101 billion in loans outstanding, with a business loan portfolio of over $11 billion. In many cases, CDFI credit unions serve as the sole source of liquidity as well as centers of information and guidance to ensure that communities are accessing the supports intended for them.

As part of the credit union system, CUNA Mutual Group joins the National Association of Federal Credit Unions, Credit Union National Association, and Inclusiv in their call to urge Congress to approve an emergency stimulus appropriation of at least $1 billion to maintain operations and continue to inject capital into low- and moderate-income communities. We thank the Members of this Subcommittee for their support of CDFIs, and we are appreciative that this funding was included in the House's Phase IV relief bill, the Health and Economic Recover Omnibus Emergency Solutions Act (HEROES) Act. We look forward to working with you and your Senate colleagues to ensure its inclusion in a final Phase IV relief bill.

We also want to thank you for the passage of the CARES Act and the liquidity it provided to small businesses through the Paycheck Protection Program. Those credit unions that have been certified to lend by the SBA are originating loans at higher levels than their assets might suggest, punching well above their weight. But they account for a small percentage of the possible pool of credit union lenders that could be originating loans through this program. We ask that you encourage the SBA to accelerate approval and onboarding of all eligible lenders onto the e-Tran platform and provide substantive guidance and support to ensure that loans are properly submitted, and businesses receive the guarantees and forgiveness allowed under the program.

Again, we thank you for your leadership and ongoing efforts to support CDFI credit unions during these uncertain times. They are well purposed and well positioned to address inequity in access to financial services and are working to serve their members and communities.

Sincerely,

Christopher Roe

Christopher P. Roe
SVP – Corporate & Legislative Affairs
CUNA Mutual Group

CPR:mm

cc: Members of the Subcommittee on Consumer Protection and Financial Institutions

THE FEDERAL RESERVE (/index.html)
FRBservices.org℠

Strategic Allocation of Coin Inventories

June 11, 2020

Temporary coin order allocation in all Reserve Bank offices and Federal Reserve coin distribution locations effective June 15, 2020

The COVID-19 pandemic has significantly disrupted the supply chain and normal circulation patterns for U.S. coin. In the past few months, coin deposits from depository institutions to the Federal Reserve have declined significantly and the U.S. Mint's production of coin also decreased due to measures put in place to protect its employees. Federal Reserve coin orders from depository institutions have begun to increase as regions reopen, resulting in the Federal Reserve's coin inventory being reduced to below normal levels. While the U.S. Mint is the issuing authority for coin, the Federal Reserve manages coin inventory and its distribution to depository institutions (including commercial banks, community banks, credit unions and thrifts) through Reserve Bank cash operations and offsite locations across the country operated by Federal Reserve vendors.

The Federal Reserve is working on several fronts to mitigate the effects of low coin inventories. This includes managing the allocation of existing Fed inventories, working with the Mint, as issuing authority, to minimize coin supply constraints and maximize coin production capacity, and encouraging depository institutions to order only the coin they need to meet near-term customer demand. Depository institutions also can help replenish inventories by removing barriers to consumer deposits of loose and rolled coins. Although the Federal Reserve is confident that the coin inventory issues will resolve once the economy opens more broadly and the coin supply chain returns to normal circulation patterns, we recognize that these measures alone will not be enough to resolve near-term issues.

Consequently, effective Monday, June 15, Reserve Banks and Federal Reserve coin distribution locations began allocating coin inventories. To ensure a fair and equitable distribution of existing coin inventory to all depository institutions, effective June 15, the Federal Reserve Banks and their coin distribution locations began to allocate available supplies of pennies, nickels, dimes, and quarters to depository institutions as a temporary measure. The temporary coin allocation methodology is based on historical order volume by coin denomination and depository institution endpoint, and current U.S. Mint production levels. Order limits are unique by coin denomination and are the same across all Federal Reserve coin distribution locations. Limits will be reviewed and potentially revised based on national receipt levels, inventories, and Mint production.

To learn more about the Federal Reserve's role in coin distribution, visit the Federal Reserve Board of Governors (Off-site) (https://www.federalreserve.gov/paymentsystems/coin_about.htm) website. To learn more about coin ordering and depositing at the Federal Reserve, click here (/resources/financial-services/cash/depositing-ordering/coin.html).

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WRITTEN TESTIMONY
HEARING: "PROMOTING INCLUSIVE LENDING DURING THE PANDEMIC: COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS AND MINORITY DEPOSITORY INSTITUTIONS"
COMMITTEE ON FINANCIAL SERVICES,
UNITED STATES HOUSE OF REPRESENTATIVES

June 3, 2020

Dear Chairwoman Waters,

The US is experiencing an unprecedented public health crisis with the COVID-19 pandemic and an economic crisis that will have an even bigger negative impact on low-income communities for months if not years to come.

CDFI and MDI credit unions are critical during this crisis; maintaining branch operations, ensuring people have access to their funds, helping consumers access those funds remotely and safely, providing forbearance on loans and offering emergency relief and assistance to help members in their community. There are 308 CDFI certified CUs serving 12 million consumers with $101B in total loans outstanding, with a business loan portfolio of over $11B. Of these 74 are SBA lenders and 75 are MDIs. These institutions that work directly with individuals, households and businesses are in many cases serving as the sole source of liquidity as well as centers of information and guidance to ensure that communities are accessing the supports intended for them.

Inclusiv is a national network representing over 300 community development credit unions (CDCUs) that serve 12 million people in the low-income communities and communities of color that are most severely impacted by this economic downturn. As the leading national expert for credit unions on community development and financial inclusion in diverse communities, Inclusiv is committed to facilitating the resources necessary to help credit unions serve people who need them now more than ever.

The CARES Act provided for liquidity to get to small businesses and workers through the paycheck protection program and stimulus cash payments. But more is needed to help ensure that communities can restart and rebuild equitably.

- **CDFI Emergency Stimulus Investment in CDFIs:** Inclusiv and its network urge Congress to approve an emergency stimulus appropriation of at least $1 billion to enable CDFIs to maintain operations and continue to inject capital into low and moderate-income communities. At the forefront of addressing the financial and economic ramifications of COVID-19, CDFIs require additional capital to grow and deploy funds for small businesses and households. Enabling

/ inclusiv /

CDFIs to continue to respond to this crisis is critical to their communities and to their own long-term financial sustainability.

- **Increase SBA Paycheck Protection Program and Direct Targeted Funds through CDFIs, MDIs and Credit Unions:** Inclusiv supports the call for an additional $250 billion in assistance to small businesses, with $125 billion channeled through community-based financial institutions that serve farmers, family, women, minority and veteran-owned small businesses and nonprofits in rural, tribal, suburban and urban communities across our country, and improvements to ensure all eligible small businesses can access this critical funding and are not turned away by banks. Among these improvements, we suggest:
    - **Rapid Enrollment and onboarding of more Credit Unions in SBA e-Tran system**: Large banks with their own pipeline are originating the vast majority of PPP loans. These funds are being prioritized for their own borrowers and customers, which tend to be better capitalized businesses. Despite SBA's efforts to increase the pool of lenders by expanding participation eligibility to all federally insured financial institutions, the certification process has been challenging. Most credit unions currently participating were already SBA lenders (YE2019 data shows only 438 credit unions reporting outstanding loans with SBA guarantees). Those CUs that have been able to get started are originating loans at higher levels than their assets might suggest, punching well above their weight. But they account for a small percentage of the possible pool of credit union lenders that could be originating loans through this program. SBA must accelerate approval and onboarding of all eligible lenders onto the e-Tran platform and provide substantive guidance and support to ensure that loans are properly submitted and businesses receive the guarantees and forgiveness allowed under the program.
- **Increase efforts to engage unbanked consumers through the stimulus payments**: The IRS has begun the process of distributing stimulus payments. It has never been more important to have a banking account, particularly to ensure stimulus payments come quickly, safely, and free. Millions of consumers still don't have access to a safe and affordable credit union account for managing your money remotely, including to receive wages and government benefits securely through direct deposit and to make payments remotely. This is a unique opportunity for our industry to engage this segment of our communities through targeted outreach and collaboration with community partners and local governments.

Inclusiv and our member credit unions ask that you act now to ensure that the communities being hardest hit by the COVID-19 crisis receive the resources they need in order to weather this period. Community development financial institutions are deeply embedded in the communities they serve and have proven to be efficient and effective at identifying their customers' needs and deploying capital out in the community. By expanding the SBA Paycheck Protection Program and directing targeted funds through CDFIs, MDIs and credit unions, making an emergency stimulus investment in CDFIs, and

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increasing efforts to engage unbanked consumers through the stimulus payments, Congress can build the foundation for affected communities to emerge from this crisis stronger and more resilient than ever before.

Sincerely,

Cathleen A. Mahon,

President & CEO

National Bankers Association

Charting a Path for Inclusion of the Country's Minority Depository Institutions: 2020 COVID-19 Legislative and Regulatory Agenda

June 4, 2020

The National Bankers Association (NBA) represents the country's Minority Depository Institutions (MDIs). Our institutions bank the communities that are most vulnerable to the coronavirus epidemic – both physically[1] and economically[2]. While the National Bankers Association commends Congress on its leadership to date in responding to the COVID-19 pandemic, we firmly believe much work remains to be done in supporting the MDI sector as we respond to the credit needs of the communities and small businesses that our member institutions serve that will disproportionately shoulder the burden of any economic downturn attributable to the COVID-19 pandemic. With these concerns in mind, the NBA offers the following nine (9) recommendations and a path forward for the Congress in administering the CARES Act as well as to Congress as you continue to develop additional economic relief measures in response to the COVID-19 pandemic:

(1). **MDIs should be afforded primary credit access to the Federal Reserve's discount window program at least through the duration of the Administration's national emergency declaration.** On the Federal Reserve's website regarding access to the discount window, the criteria for primary credit states that Federal Reserve banks with 1, 2 or 3 CAMELS ratings and well or adequately capitalized should receive primary credit treatment regarding access to the discount window.[3] r All MDIs and other mission-oriented lenders like CDFI banks should be afforded primary credit status to the discount window so long as the national emergency declaration remains in place.

(2). **The Small Business Administration should seek to proactively lower any administrative barriers to MDI participation across all SBA loan programs:** To the extent that there are any administrative barriers to participation that have historically limited MDI participation in SBA lending programs – such as the requirement for certain programs that lenders originate a minimum number of loans, for example – that do not require Congressional action, we would urge the Small Business Administration to proactively identify and eliminate those barriers to participation as soon as practicable. African-American borrowers as a share of all 7(a) and 504 program lending in 2016, for example, only accounted for 2% of the lending activity in flagship SBA programs with Latino borrowers only faring slightly better – this despite MDIs

[1] *See,* Deborah Barfield Barry, "Health Issues for Blacks, Latinos, and Native Americans May Cause Coronavirus to Ravage Communities" (March 30, 2020). *USA Today*. Available at: https://www.usatoday.com/story/news/nation/2020/03/30/coronavirus-cases-could-soar-blacks-latinos-and-native-americans/2917493001/.

[2] *See,* Amelia Thomson-DeVeaux, "Which Workers Are Most Vulnerable to the Economic Costs of the Coronavirus" (March 18, 2020). *FiveThirtyEight*. Available at: https://fivethirtyeight.com/features/which-workers-are-most-vulnerable-to-the-economic-costs-of-the-coronavirus/.

[3] Federal Reserve, Discount Window, https://frbdiscountwindow.org/pages/general-information/primary-and-secondary-lending-programs. (Accessed April 1, 2020).

having an established track record of higher rates of small business and SBA lending to diverse entrepreneurs and a willingness to do larger SBA loans to diverse entrepreneurs relative to non-MDIs.[4] The best way to ensure that the SBA-related provisions of the CARES Act and any subsequent relief measures administrated through the SBA actually makes it way to diverse entrepreneurs, LMI communities, and the nonprofit institutions that serve LMI communities and communities of color is to take affirmatives steps to ensure that every MDI has the ability to fully participate in every SBA program. Affirmative steps would include goals for diverse entrepreneur participation in COVID-19 related SBA programs[5], targeted efforts to ensure that MDIs are delivery channels for diverse entrepreneurs such as creating an MDI Coordinator within the SBA's Office of Advocacy similar to federal banking regulators' MDI-specific liaisons, and adequately compensating lenders for program participation by establishing a reasonable rate floor, *supra*. Diverse entrepreneurs, nonprofit institutions that serve LMI communities and communities of color, and LMI communities are the most economically vulnerable during and in the aftermath of the COVID-19 pandemic. Accordingly, we believe that the SBA should proactively lower any administrative barriers to participation to ensure broad support of MDI participation in existing SBA programs as well as those established through the CARES Act and any subsequent COVID-19 relief measures that will help to ensure a robust and inclusive economic recovery.

(3). **The Small Business Committees should proactively seek to expand the SBA's lending capacity by incorporating MDIs and CDFIs into the SBA's direct lending programs and other programs that would expand the SBA's reach and capacity during the COVID-19 response:** Under normal circumstances, we understand that certain SBA programs like the Disaster Loan Program and even the SBA's Microloan Program are rightly limited to either the SBA directly or to a narrow universe of nonprofit lenders. But in a time of crisis where the pace at which relief is extended is paramount and the SBA could easily be overwhelmed, mission-oriented financial institutions like MDIs and CDFI banks should be force multipliers for the SBA in helping them expand their reach to diverse entrepreneurs and nonprofit institutions that service the credit needs of LMI communities and communities of color. We therefore ask that in the next COVID-19 related economic relief package, the House and Senate Small Business Committees proactively lower the barriers to participation and provide direct financial support to MDIs and CDFI banks for inclusion in SBA programs like the Disaster Loan and Microloan Programs that currently do not allow for direct participation from mission-oriented lenders.

(4). **Key provisions of the House-sponsored "Take Responsibility for Workers and Families Act" expanding the capacity of MDIs and CDFIs must be a part of the next COVID-19 economic relief package:** Sections 206 (a $1 billion supplemental appropriation for the Community Development Financial Institutions Fund), 207 (expanding key MDI sector support provisions like the Minority Bank Deposit Program), and 208 (zero-interest loans to CDFIs and MDIs with < $1B in assets to expand their capacity to meet the emergency financing needs of diverse and LMI customers, nonprofit institutions, and small businesses) of the "Take Responsibility for Workers and Families Act" make the kind of investments in the CDFI Fund and in MDIs that are necessary to expand our institutions' capacity to lend and respond to the

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[4] *See,* The Milken Institute, "The Partnership for Lending in Underserved Markets: Increasing Minority Entrepreneurs'' Access to Capital" at 9. Available at: https://milkeninstitute.org/sites/default/files/reports-pdf/PLUM-Capstone-Report.pdf. *See also*, Federal Deposit Insurance Corporation, "Minority Depository Institutions: Structure, Performance, and Social Impact" at 64-67. Available at: https://www.fdic.gov/regulations/resources/minority/2019-mdi-study/full.pdf.

[5] Entrepreneurs of color constitute 15% of all U.S. businesses, so the SBA should make best efforts to ensure that 15% of funds dispersed as a part of the economic response to the COVID-19 epidemic. *See*, Minority Business Development Agency, "State of Minority Business Enterprise" (December 8, 2019). Available at: https://www.mbda.gov/page/state-minority-business-enterprise-smobe-data-state.

In light of the SBA's track record with diverse entrepreneurs and MDIs long-standing commitment to diverse entrepreneurs, the SBA should proactively seek opportunities to work with MDIs as delivery channels for lending to diverse entrepreneurs and nonprofits.

growing needs of our small business, nonprofit, and consumer banking clients during the COVID-19 pandemic. We know that the Administration and Congress seek both a robust and inclusive economic recovery; the provisions in Sections 206, 207, and 208 will help to ensure that it is. MDIs and CDFIs have been a historically underutilized delivery channel for getting capital to LMI communities and diverse entrepreneurs and nonprofit institutions, and these three sections of the "Take Responsibility for Workers and Families Act" could go a long way in rectifying this historic oversight precisely at a time when the communities our institutions serve need help the most.

(5). **The next iteration of COVID-19 economic relief measures should include H.R. 5322, the "Ensuring Diversity in Community Banking Act of 2019 Act"** The Act includes a number of important provisions that the NBA has advocated on for some time. The NBA has long sought to codify and enhance federal agency participation in Treasury's Minority Bank Deposit Program (MBDP). The Act brings about much-needed reforms to the MBDP – a program which has unfortunately gone underutilized by federal agencies. The NBA has similarly raised concerns with prudential regulators that bank examiners do not come to our institutions with an understanding of the unique operating environments associated with the economically distressed communities our institutions disproportionately serve. The Act seeks to rectify this by taking historic steps to diversify our federal bank examiner corps and to introduce best practices across federal banking regulators regarding culturally-competent training and best practices to ensure that examiners have a full appreciation of our institutions' unique operational challenges. The NBA has long viewed Treasury's Financial Agent Mentor-Protégé Program (Program) as an underutilized vehicle for MDI-majority bank partnerships, and the Act expands the Program's reach to include more MDI-majority partnerships in administering programs through the Bureau of the Fiscal Service.

(6). **The next iteration of COVID-19 economic relief measures should include modernizing Section 29 of the Federal Deposit Insurance Act such that well-capitalized community banks can diversify their deposit bases.** Section 29 of the Federal Deposit Insurance Act's (FDIA) regulation of brokered deposits significantly impairs community banks' ability to compete with larger insured depository institutions in attracting deposits outside of their traditional branch and service networks – this despite mounting evidence that so-called brokered deposits do not contribute to bank failures and otherwise behave like core deposits.[6] These restrictions are particularly significant for MDIs whose deposit bases draw almost entirely from LMI communities that are the most economically vulnerable as a result of the COVID-19 pandemic.[7] Well-capitalized MDIs should be able to work with third parties to attract core deposits outside of their current branch networks without concern that it would attract unwarranted regulatory scrutiny or higher deposit insurance premiums, especially when the deposits do not pose significant risks to the institutions' safety and soundness or to the Deposit Insurance Fund. Our depositors will be the hardest hit by the economic downturn, and outdated restrictions on third-party assistance in securing core deposits that are stable sources of funding should be modernized to reflect how consumers bank and the particular impacts that we anticipate on our banks' deposit bases due to the COVID-19 pandemic. We believe that Congress should be seeking to encourage the long-term safety and soundness of MDIs which should include supporting efforts for MDIs to diversify their deposit bases – particularly during an economic emergency where massive job losses in LMI communities and communities of color are expected – through modernizing Section 29 of the FDIA.

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[6] *See*, James R. Barth and Yanfei Sun, "Bank Funding Sources: A New Look at Brokered Deposits" at 37 (January 2018) (noting that ". . . most of the empirical studies, either those focusing on bank failures or on bank failure costs, don't provide justification for the current regulatory treatment of brokered deposits . . . Moreover, none of the studies provide direct evidence that brokered deposits are a causal factor with respect to bank failures, failure costs, or banking instability."). Utah Center for Financial Services. Available at: https://lassonde.utah.edu/wp/wp-content/uploads/2018/05/UCFS_Barth_Brokered_Deposit-2018.pdf.

[7] *See,* Note 2.

(7). **The next iteration of COVID-19 economic relief measures should include a temporary regulatory reprieve from FDIC, Federal Reserve, and OCC regulatory standards to allow banks (less than 5 billion USD in assets) that target LMI communities more flexibility–such as a wider range within key ratios they must maintain (i.e., liquidity, capital adequacy, and leverage)–to not only be in good standing, but also continue to provide capital as needed.** Past research has shown most small businesses only have a few short weeks of cash on hand. A significant number of small businesses in affected neighborhoods will suffer substantial reductions in income, and therefore, require even more access to capital. Banks that may be willing to support these businesses are not going to be able to if it exceeds their regulatory thresholds. Banks with less than $5 billion in assets represent 96 percent of all banks, but only 14 percent of all assets. Given the smaller scale of these banks and limited risk to the broader financial system, adjusting key capital ratios thresholds is an acceptable risk to reduce the effect of the current economic shock.

(8). **The next iteration of COVID-19 economic relief measures should include federal resources to enhance the Tier 1 Capital of banks that support underserved communities (e.g., MDIs and CDFIs) by fully capitalizing and leveraging Treasury's CDFI Fund Program.** A critical component of the resilience of the banking sector is the amount of Tier 1 Capital it has. Without sufficient Tier 1 Capital, not only are banks limited in the amount of deposits they can take in, but it also hampers their ability to weather loan losses. In this unprecedented economic shock, many financial institutions, especially those in underserved communities, will have increased delinquent loans. Although federal government efforts to stand up new loan loss reserves are important, standing up a new federal program with significant red tape will create a bottleneck when speed is necessary. A more sustainable effort would be to fully capitalize and leverage Treasury's CDFI Fund Program to provide direct Tier 1 capital support to banks that support LMI communities without triggering the Bank Holding Company's limitations.

(9). **The Small Business Administration should revisit the allowable interest rates under the Paycheck Protection Program, and any extensions of the Program should ensure that interest rates strike the appropriate balance between encouraging lender participation and ensuring access to affordable credit for small businesses.** While guidance from the Small Business Administration suggests that interest rates for the Paycheck Protection Program (PPP) should not exceed 4%, the current iteration of the PPP does not allow interest rates to exceed 1.0%. While the NBA understands and appreciates extending small business credit at rates small businesses can afford, very few banks – and particularly small, mission-oriented lenders like MDIs that already have well-documented challenges raising capital – have a cost of capital anywhere close to 1.0%, and the proposed fee schedule does not adequately make up for the cost of underwriting and the cost of capital our member institutions would incur for each loan they would make under the Program. Further, at 1.0% there will be no secondary market for these loans, so our member institutions will have to hold these loans on their balance sheets further limiting their attractiveness to smaller financial institutions. Absent interventions that allow for lowers costs of capital for our member institutions (like accessing the Federal Reserve's discount window at the prime credit rate, *supra*) or higher origination fees, we would urge the SBA to revisit the current 1.0% rate cap and Congress to ensure that future extensions of the Program statutorily provide a rate floor of at least 2.75% -- a rate still well below the current rates across virtually all SBA program and other small business lending. Otherwise, most MDIs will be priced out of the Program significantly impairing the Program's impact and reach and the inclusiveness of any economic recovery.

We have an opportunity to avert an economic collapse if Congress and the Administration takes the necessary steps now to provide diverse small businesses, nonprofits, and LMI communities the emergency relief they need now. The steps taken through the previous three relief measures were welcomed and necessary as we anticipate a series of additional actions that will need to be taken by Congress and the Trump Administration to ensure that we not only contain the spread of COVID-19 but also limit the potential economic carnage to LMI communities and communities of color that stand to be the hardest hit both by the pandemic itself as well as the economic consequences associated with our response to the pandemic. Providing relief to the nation's MDIs and CDFIs is vital if our efforts are to ensure that every community in the country can take part in our nation's post COVID-19 economic recovery. We appreciate the opportunity to submit our recommendations for the administration of the CARES Act and future iterations of COVID-19 economic relief measures, and look forward to being a resource to Congress in ensuring both a robust and inclusive response to and recovery from the COVID-19 pandemic.

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June 3, 2020

Submission from David M. Solomon, Chairman and Chief Executive Officer of Goldman Sachs to U.S. House of Representatives Committee on Financial Services Subcommittee on Consumer Protection and Financial Institutions for the Hearing on "Promoting Inclusive Lending During the Pandemic: Community Development Financial Institutions and Minority Depository Institutions"

I submit this statement for the record before the Subcommittee regarding our experience in supporting small businesses nationally during this crisis through partnerships with Community Development Financial Institutions (CDFIs). Your leadership in Congress, others in the federal government, the Centers for Disease Control and Prevention, state and local authorities, and the financial authorities acted swiftly and with care to this unprecedented medical emergency. This is without a doubt one of the most unique and challenging periods in history – one that's shaping our neighborhoods, cities and country in historic ways.

On top of the pandemic, another issue plagues our nation and I want to acknowledge it. I (along with the Goldman Sachs community) continue to grieve for the lives of George Floyd, Ahmaud Arbery, Breonna Taylor and countless other victims of racism. These recent horrific and senseless acts of racism and violence in Minnesota, Louisville, and Georgia have no place in our country, and highlights just how far we need to go to create a more just and tolerant society. It's been almost 60 years since Dr. King envisioned a future where his children would not be judged "by the color of their skin," and it is tragic that there's been so little progress toward making his dream a reality. The awful events of the past few weeks show that now is not the time to be silent, and that we must redouble our efforts to build a more equitable society.

Given the nature of this crisis, its uncertain duration, the disparities it has highlighted and the anger it has unleashed, it is clear that the government and the private sector together must work to cushion the blow to our economy and chart a path to rebuild communities. The troubling reality is that minority communities have been hit disproportionately hard by the pandemic. This moment is a crisis within a crisis for black Americans especially. COVID-19 presents a disproportionately deadly threat to black Americans. Recent data from American Public Media Research Lab indicates that roughly 13,000 black Americans would still be alive today if they had died of coronavirus at the same rate as white Americans. And Black Americans are disproportionately represented in the essential worker population and unemployed population.

One way we are trying to do our part to heal this wound and support black communities, as well as other minority and underserved communities around the country, is to support CDFIs, Minority Depository Institutions (MDIs) and other mission-driven lenders so that they can provide the necessary funding to small businesses who are trying to keep their businesses alive and employees on the payroll. Over the last 10 years, we partnered with CDFIs and made a $250 million commitment, the largest single commitment to CDFIs at the time. Through these partnerships, we have seen firsthand how important and effective these institutions are in reaching businesses and communities often overlooked by traditional banks.

Goldman Sachs Partnerships with CDFIs Before the Paycheck Protection Program (PPP)

When the COVID-19 crisis first started to emerge in the United States, we reached out to small businesses through our *10,000 Small Businesses* program and local leaders, as well as to our CDFI partners across the country. It quickly became clear that small businesses needed capital immediately and that federal relief would take time to make its way through Congress. In order to provide immediate funding to these small businesses, we developed city-level partnerships with a CDFI (Minneapolis-based Community Reinvestment Fund, USA) and a similar mission-driven lender (New

York-based Pursuit). Of course financial capital was needed, but also philanthropic capital, and human capital. These efforts materialized into two emergency small business loan funds for New Yorkers and Chicagoans in partnership with the mayors' offices and CDFIs. These CDFI-administered funds, which occurred before the CARES Act was passed, provided 0% or low interest rate loans to small businesses. These emergency loan funds helped bridge the gap for local businesses in the weeks leading up to the passage of the CARES Act.

<u>Small Business Voices that Guided Our Approach</u>

Knowing how rapidly the crisis was expanding and evolving, we wanted to ensure that our efforts would reach businesses most in need by relying on data. In April, we decided to send a survey to thousands of small business owners who graduated from our *10,000 Small Businesses* program. From this group we heard that there was incredible interest in and optimism about PPP:

- More than 90% of respondents had applied for a PPP loan in the first few weeks
- For those who were approved, nearly 80% said they were confident their business would survive the pandemic, despite interim disruptions and lay-offs

For those business owners who were aware of the PPP, understood its nuances, and had a bank to turn to for a PPP loan, the PPP seemed to be hugely beneficial. Unfortunately, this was not the reality for all small businesses. The data also highlighted a glaring disparity: the application rate and approval rates for black-owned small businesses both were 12% lower than the overall rate.

This troubled us at Goldman Sachs. It was clear we needed to do better. We decided to commit $500 million in capital for PPP loans across the country solely through CDFIs and mission-driven lenders, building upon our decade of partnerships together, including in times of crisis like Hurricane Sandy in 2012 and Hurricane Harvey in 2017. We were very intentional with the CDFIs we partnered with. Ultimately we provided lending facilities to six organizations, four of whom were minority-led, including two of the most active black-led CDFIs in the country. Specifically, we have partnered with HOPE, Lendistry, CDC Small Business Finance, LiftFund, Pursuit, and Community Reinvestment Fund, USA. Sensing that the enormous demand for PPP loans would strain CDFIs, as it would any institution, we also provided $25 million in grants to build additional capacity as soon as possible not only to our six PPP lending partners, but to a broad range of organizations supporting small businesses, including CDFIs, MDIs and grassroots technical assistance providers.

<u>Who Our Capital Has Reached via PPP Loans</u>

Now that nearly two months have passed since our efforts began, below is a brief snapshot of what we have accomplished with our community lending partners.

- First, the capital has reached very small businesses, as we hoped it would. Across the nearly $500 million and 10,000 loans approved to date around the country through our CDFI partnerships, the median employee count is just three. In some geographies the median employee number was lower: New Orleans was 1, Texas and Ohio and several others just two employees.
- Second, our average loan size to date nationally has been about $57,500, which is roughly half the size of the average PPP loan nationwide ($114,144 as of May 29, 2020)
- Third, we've been able to reach businesses who serve underserved communities with over 33% of the capital going to businesses in low-income neighborhoods
- In addition, while the vast majority of local borrowers did not share their race or gender, we do know that nearly half (approximately 48%) was deployed to businesses in majority-minority areas
- And in total, our capital has reached businesses that employ over 72,000 Americans

Below is an illustrative summary of who our capital has reached in the past 10 weeks through our partnerships with CDFIs:

	Total Loan Approvals ($mm)	Number of Businesses Reached	Average Loan Size	Median # of Employees Served	% of Loans in Majority Minority Areas	% of Loans in LMI Areas
National	$ 559.3	9,848	$ 57,545	3	48%	33%
California	180.0	2,880	62,496	4	60%	30%
New York	109.2	2,081	56,065	3	34%	21%
Texas	34.8	790	44,070	2	41%	37%
New Jersey	25.7	269	95,450	4	32%	25%
Florida	20.1	353	57,016	4	41%	23%
Illinois	22.6	500	45,197	3	51%	39%
Michigan	18.5	272	68,044	4	68%	45%
Mississippi	15.2	283	53,708	1	69%	62%
Maryland	10.9	211	51,660	3	50%	33%
Georgia	10.8	229	47,019	3	51%	32%
Ohio	8.6	170	50,367	2	33%	43%
Los Angeles	38.2	610	62,585	3	77%	36%
New Orleans	17.3	333	51,991	2	80%	62%
Detroit	10.7	147	72,906	4	98%	55%
Houston	6.9	168	41,320	2	73%	49%
Minneapolis / St. Paul	5.5	67	82,784	6	43%	71%
Baltimore	5.2	95	55,000	3	42%	34%

We and our CDFI partners have received numerous notes from business owners across the country who were surprised and even sometimes overwhelmed that CDFIs would spend significant time with them to understand the program, fill out the application, and be there as a resource throughout the process. One of our CDFI partners, Mississippi-based HOPE (which is run by CDFI pioneer Bill Bynum) reached out to churches across the south to offer assistance in an effort to ensure that as many churches as possible received loans not only to support their own finances and employees through this crisis, but also because of the important role these same institutions would play in raising awareness about PPP loans and in the recovery. We all agreed that these faith-based institutions will need to be as strong as ever to help heal their communities. One success story from HOPE's efforts includes providing a PPP loan to a small, predominantly black church in Alabama. When the church leader submitted the articles of incorporation as part of the loan application, the document was handwritten and over 120 years' old. Without the concerted effort of CDFIs like HOPE, long-standing institutions such as these may not survive this pandemic at this crucial and unprecedented time.

Looking Ahead

To further reach minority-run institutions and businesses like this who sometimes struggle to access financial services, we are proud to announce that we are launching two new partnerships alongside our CDFI partners this week.

First, we are launching a partnership with the National Urban League to increase awareness of and provide access to the PPP. Alongside three CDFIs and the twelve Urban League Entrepreneurship Centers around the country, we are hosting a series of webinars tailored to address specific feedback, questions, and concerns we have heard from black small business owners. We have also created a direct PPP loan application channel for NUL members. With the backing Goldman Sachs loan capital as well as grant funding, the CDFIs will work closely with the local Urban League teams to provide individualized technical assistance throughout the application and loan forgiveness process. The webinar content and technical assistance will have a specific segment on sole proprietorships, given that at least 94% of black-owned businesses are structured as such.

Second, this week we are also launching a similar partnership with the US Hispanic Chamber of Commerce, through which mission-driven lender CDC Small Business Finance will provide similar access to PPP capital provided by Goldman Sachs lending facilities, technical assistance provided in English or Spanish, and a webinar to address frequently asked questions about the program.

There is a lot more work that must be done across the country. And we are excited that our CDFI partners are still lending and working to reach and support as many small businesses as possible. For information helpful to U.S. small businesses to obtain funding, visit the Goldman Sachs U.S. Small Business Resource Center at https://www.goldmansachs.com/citizenship/10000-small-businesses/US/small-business-resources/. Thank you for allowing me to share our experience at Goldman Sachs with you and do not hesitate to reach out if we can provide any additional information or answer any questions you have.

Preservation and Promotion of Minority Depository Institutions

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Pursuant to Section 367 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and Section 308 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989

Introduction

Section 308 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) established the following goals: to preserve the number of minority depository institutions; to preserve the minority character in cases involving merger or acquisition of a minority depository institution; to provide technical assistance to help prevent insolvency of minority depository institutions; to promote and encourage creation of new minority depository institutions; and to provide for training, technical assistance, and educational programs for minority depository institutions.

Pursuant to Section 367 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, this report provides a summary profile of minority depository institutions (MDIs) as of the end of 2019; a description of the FDIC's minority depository in stitution program; and detailed information on the FDIC's 2019 initiatives supporting MDIs.

The FDIC defines an MDI as any federally insured depository institution for which: (1) 51 percent or more of the voting stock is owned by minority individuals; or (2) a majority of the Board of Directors is minority and the community that the institution serves is predominantly minority. Ownership must be by U.S. citizens or permanent legal U.S. residents to be counted in determining minority ownership. The FDIC's Policy Statement Regarding Minority Depository Institutions provides additional information (see Attachment 1).

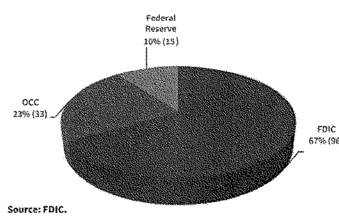
Summary Profile of Minority Depository Institutions

The FDIC maintains a list and tracks the insured MDIs it supervises, i.e., state-chartered institutions that are not members of the Federal Reserve System (Federal Reserve), as well as MDIs that are supervised by the Office of the Comptroller of the Currency (OCC) and the Federal Reserve.[1] The FDIC takes this broad approach given its role in considering applications for deposit insurance and in resolving institutions in the event an MDI was to fail.

Structure

As of December 31, 2019, FDIC-insured MDIs totaled 144 institutions with combined total assets of nearly $249 billion and 36,676 employees (see Attachment 2, List of Minority Depository Institutions). The FDIC supervised 96 of the 144 MDIs as their primary Federal regulator.

FDIC-Insured MDIs by Primary Federal Regulator as of 12/31/2019



Source: FDIC.

[1] The FDIC's published list of FDIC-insured minority depository institutions does not include women-owned or women-managed institutions because they are not included in the statutory definition.

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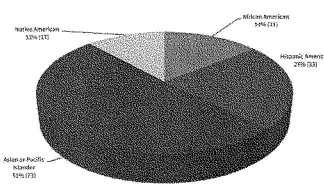
At the beginning of 2019, there were 149 FDIC-insured MDIs with combined total assets of nearly $234 billion. During the year, two new MDIs opened, both Asian American. The two new MDIs combined have nearly $71 million in assets.

One new Native American MDI was created due to a merger. Five MDIs merged with non-MDIs and thus lost status: two Asian American; one African American; one Native American; and one Hispanic American. Two MDIs merged with other MDIs thereby keeping their status: one Hispanic American and one Native American.

One MDI failed in 2019. The OCC closed a $120 million African American MDI on November 1, 2019, and appointed the FDIC as receiver. To protect depositors, the FDIC entered into a purchase and assumption agreement with another African American MDI that assumed all of the deposits of the failed institution, and purchased essentially all of its assets. The failure reduces the number of African American MDIs nationwide to 21 as of year-end 2019.

Of the total assets of the institutions involved in 2019 MDI acquisitions, mergers, or failures, 57 percent ($3.7 billion of $6.5 billion in MDI assets) remained in MDI institutions after the transactions.

FDIC-Insured MDIs by Type as of 12/31/2019



Source: FDIC.

Performance

As of December 31, 2019, the overall financial performance of FDIC-insured MDIs remains sound; however, there were nominal declines in key performance ratios. The number of profitable firms declined over the year to about 85 percent of all MDIs compared to 91 percent as of December 31, 2018. The percentage of unprofitable MDIs is over 14 percent and remains significantly higher than the percentage of both community banks and all banks that are unprofitable, at 3.81 and 3.59 percent, respectively. The unprofitable institutions generally are smaller institutions, many of which are located either in urban areas that experienced significant economic distress during the financial crisis or smaller rural markets with economic challenges.

MDI full-year net income of $3.2 billion declined by $133 million (4.0 percent) from the previous year due primarily to significant increases in noninterest and interest expenses, as well as income taxes. Net operating revenue, however, increased $620 million (6.2 percent) and was driven by an increase of net interest income of $457 million (5.5 percent) compared to the previous year. Despite the increase of net interest income, net interest margins declined modestly by 12 basis points to 3.97 percent, due to the $719 million (47.2 percent) increase in interest expense outpacing a nearly 12 percent increase in interest income.

Higher net interest income partially resulted from growth in loans and securities. Total earning assets increased $19 billion (8.9 percent) from the year prior as loan balances rose $11.3 billion (6.9 percent). This nearly 7 percent rate of loan growth for MDIs surpassed the loan growth rate at all community banks by 140 basis points. Commercial real estate (CRE) categories accounted for $4.8

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billion of this growth and one- to four-family lending accounted for an additional $3.5 billion of total loan growth. Commercial and industrial (C&I) loan balances grew to $2.0 billion. Additionally, securities increased by $7.1 billion (21.1 percent).

Total 30-89 day past due balances increased by 15.7 percent from one year ago, driven by one- to four-family lending, and consumer and C&I portfolios; but noncurrent and net charge-off balances declined. Lower noncurrent balances helped improve the coverage ratio (allowance for loan and lease losses to noncurrent loans and leases) to 80 percent, up from 76.4 percent a year ago. The noncurrent rate in the fourth quarter was 1.54 percent, down seven basis points from the previous quarter and 27 basis points from the previous year. Despite the improvement, both of these figures trail the coverage ratio and noncurrent rate of all community banks (148.42 percent and 0.75 percent, respectively).

Total equity capital increased from the previous year by $2.8 billion (9.5 percent) to $31.8 billion. All standard capital ratios, except the Tier 1 Leverage ratio, increased from fourth quarter 2018. The Tier 1 Leverage ratio decreased by four basis points to 11.65 percent. All but one institution was considered well capitalized or adequately capitalized.

Within the MDI sector, the financial performance of a small subset of institutions has been uneven. Generally, smaller MDIs and those serving low- and moderate-income (LMI) communities, including both urban and rural markets, continue to face significant challenges, in part reflecting the continuing economic challenges faced by many of the communities they serve.

FDIC National Minority Depository Institutions Program

The FDIC's *Policy Statement Regarding Minority Depository Institutions provides* (see Attachment 1) provides the framework for the minority depository institutions program (MDI program). The FDIC has a National Director of Minority and Community Development Banking in the Washington, DC Office, and MDI coordinators in each of its six regional offices. The National Director reports to the Directors of the Division of Risk Management Supervision and the Division of Depositor and Consumer Protection to leverage resources and expertise in the two divisions. In 2019, the FDIC filled two additional dedicated positions that support the MDI program at the national level.

The National Director advises the FDIC Chairman on MDI activities and initiatives, provides overall direction and guidance, and consults with other FDIC divisions to provide appropriate resources across the agency to support program initiatives. The FDIC's MDI program is fully integrated into the supervision, consumer protection, insurance, and receivership business lines. The National Director works closely with MDIs and their trade associations to seek feedback on FDIC's efforts under this program, discuss possible training initiatives, and explore options for preserving and promoting minority ownership and management of depository institutions.

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Betty J. Rudolph, National Director, Minority and Community Development Banking, FDIC, welcomes attendees to the 2019 Interagency MDI and CDFI Bank Conference.

The National Director also regularly meets with Federal banking agency colleagues to discuss outreach and training efforts, to share ideas, and to identify opportunities where the agencies can work together to support MDIs. In addition, the FDIC coordinates with other Federal agencies that provide programs that can assist MDIs.

Executives and staff in the FDIC's six regional offices communicate with each MDI regularly to outline the FDIC's efforts to promote and preserve minority ownership and management of financial institutions; offer to have a member of regional management meet with the institution's board of directors to discuss issues of interest; hold roundtable discussions and training sessions; and seek input regarding any training or other technical assistance the institution may desire.

The FDIC has a website (*fdic.gov/mdi*) dedicated to MDIs, which provides valuable information on MDIs and resources useful to minority banks. The MDI website houses the FDIC's *Annual Reports to Congress*, a list of MDIs updated quarterly, research studies on MDIs, and other helpful resources. These resources include information on how collaborations with MDIs can result in sound and profitable lending and investments that meet the needs of underserved communities, updates on the FDIC's MDI Subcommittee, and contact information for national and regional MDI coordinators and staff.

2019 Initiatives Supporting Minority Depository Institutions

The preservation and promotion of MDIs remains a long-standing and high priority for the FDIC. In 2019, the FDIC expanded engagement with MDIs and continued to promote and support strategies led by MDIs and Community Development Financial Institution (CDFI) banks to better serve their communities. These strategies included increasing collaboration between MDIs and other financial institutions; partnering to share costs, raise capital, or pool loans; and innovatively using available Federal programs. The FDIC supports these efforts through research, outreach, and engagement to better understand MDI issues, as well as by providing technical assistance, education, and training for MDI and CDFI banks.

Research

During 2019, the FDIC published a research study, *Minority Depository Institutions: Structure, Performance, and Social Impact*, that explores changes in FDIC-insured MDIs, their role in the financial services industry, and their impact on the communities they serve. The study looked at the demographics, structural change, geography, financial performance, and social impact of MDIs over a 17-year period ending December 31, 2018.

The study found that MDIs continue to consolidate, but more gradually than community banks overall. The number of African American MDIs declined by more than half during this period. African

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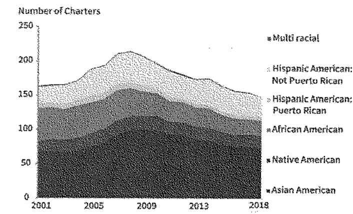
American MDIs represented 15 percent of all MDIs at year-end 2018, compared with almost 30 percent of all MDIs in 2001. However, the number of Native American, Hispanic American, and Asian American MDIs increased during the same period.

FDIC-Insured MDI Charters



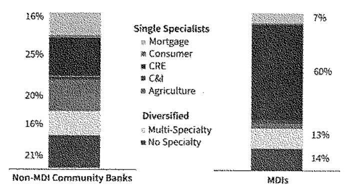
Source: FDIC.

By 2016, MDI assets had surpassed pre-recession highs, and they continue to grow in absolute terms. The asset share of Asian American MDIs has increased, while the asset share of African American MDIs and Hispanic American MDIs has declined.

MDI financial performance improved significantly over the past five years, particularly in terms of revenue generation and loan performance. Credit quality and earnings at MDIs were especially hard hit during the last recession and housing crisis. However, credit quality has continued to improve in the past five years, and MDI noncurrent loans and net charge-offs were at new lows at the end of the study period. MDIs, and particularly small MDIs, still have much higher expenses in terms of the cost to bring in a dollar of revenue. However, that disadvantage has narrowed in recent years.

MDIs not only have a greater share of total loans secured by real estate, but they also have more loans secured by CRE than non-MDI community or non-community banks. Since 2001, MDIs have migrated to the CRE specialty group from other lending groups. In 2001, 32 percent of MDIs had no lending specialty; by 2018, this number had declined to 14 percent. The share of MDI CRE specialists reached 60 percent at year-end 2018, compared to 25 percent at community banks.

Percent of Institutions by Lending Specialty Group, Year-End 2018



Source: FDIC. Loan categories with fewer than 5 percent of institutions are not labeled.

MDIs tend to serve communities in which a higher share of the population lives in LMI census tracts and a higher share of residents are minorities, compared with non-MDI community banks in similar geographies.

The chart on the next page shows the high percentage of LMI populations served by MDIs, compared to similarly situated non-MDIs (non-MDI non-farm community banks) and non-MDI non-community banks, which are generally very large institutions with a regional or national footprint.

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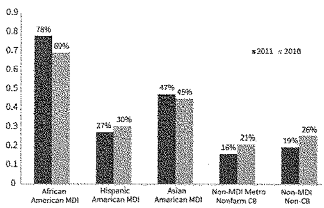
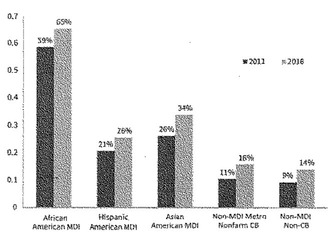
The median share of estimated service area population living in LMI census tracts is higher among MDIs



Source: FDIC. Note that CB means community bank.

In addition, a comparison of mortgage lending based on an analysis of Home Mortgage Disclosure Act (HMDA) data showed that MDIs originated a greater share of their mortgages for properties in LMI census tracts and to minority borrowers when compared with non-MDIs in similar geographies. Compared with non-MDIs, MDIs also originated a greater share of small business loans guaranteed by the U.S. Small Business Administration (SBA) to borrowers in LMI census tracts and to borrowers in census tracts with higher shares of minority residents.

The median share of HMDA-reported mortgage originations for properties in LMI census tracts is higher for MDIs



Source: FDIC. Note that CB means community bank.

MDI Subcommittee

In 2019, the FDIC established a new MDI Subcommittee of the Advisory Committee on Community Banking (CBAC), which held its inaugural meeting in December 2019. There are nine executives serving as members of the MDI Subcommittee representing African American, Native American, Hispanic American, and Asian American MDIs across the country.

The MDI Subcommittee advises the CBAC regarding the FDIC's MDI program. It serves as a source of feedback for the FDIC to fulfill its statutory goals to preserve and promote MDIs. The MDI Subcommittee provides a platform for MDIs to promote collaboration, partnerships, and best practices, and it identifies ways to highlight the work of MDIs in their communities.

FDIC held its inaugural meeting of the MDI Subcommittee on December 3, 2019.

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MDI Subcommittee members discuss banking trends affecting MDIs. From left: James H. Sills, III, M&F Bank; Warren Huang, Amerasia Bank; Gilbert Narvaez, Jr., Falcon International Bank; and Kyle Chavis, Lumbee Guaranty Bank.

During the December meeting, the FDIC presented MDI Subcommittee members with potential updates to the FDIC's *Policy Statement Regarding Minority Depository Institutions* (see Attachment 1), with the objective of strengthening its program to preserve and promote MDIs.

Members of the MDI Subcommittee provided a brief overview on the origins of their institutions, an overview of their business models, and the communities they serve. Some also commented on the unique challenges they face.

In addition, in 2019, the FDIC added additional MDI bankers to the CBAC membership to bring further MDI perspectives and issues to the table.

Collaboration Roundtables

The FDIC hosted three roundtables in 2019 with large bank executives and MDI bankers to foster collaboration to support the continued vibrancy of MDIs and their communities. At each roundtable, the FDIC outlined how both MDIs and other institutions might realize business and regulatory benefits by developing partnerships, drawing upon the FDIC's *Resource Guide for Collaboration with Minority Depository Institutions* (see Attachment 3), published in December 2017. In addition, the FDIC clarified how relationships with MDIs receive consideration under the Community Reinvestment Act (CRA).

During the roundtables, executives from 29 large banks and 24 MDIs discussed potential partnerships including financial support, lending activities, or service activities including technical assistance.

Prior to each roundtable, the FDIC asked bankers to complete a "collaboration inventory" (see Attachment 4). Minority banks outlined the types of partnerships they were seeking, such as direct investment or deposits; loan participations as a buyer or a seller; or technical assistance or services ranging from sharing specialty expertise to collaborating on product development or back office operations. Large banks identified the categories where they had an interest in partnering. Participants exchanged inventories prior to the roundtable to facilitate conversations at the meeting.

From left: Adam Ahmad, Barclays Bank, and Kevin Choi and Seung Goo (Sean) Lee, Shinhan Bank America discuss collaboration opportunities at the New York Large Bank – MDI Roundtable.

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On June 27, the FDIC held a roundtable for banks in the FDIC's New York Region. Other roundtables were held in Atlanta on October 17 and Chicago on November 7.

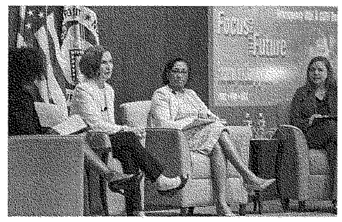
Bankers attending the roundtables reported the beginning of promising partnerships that are in progress involving direct investment, deposits, and technical assistance. In addition, one of the banks described the benefit of networking with other MDIs at these events. The FDIC is monitoring the outcomes of the roundtables and will highlight successful partnerships at future events and on its MDI website.

Workshops and Webinars

One of the FDIC's statutory goals is to preserve the minority character of MDIs in failed bank acquisitions. In 2019, the FDIC hosted three workshops and three webinars with MDI bankers to discuss the failed bank bidding process and special marketing procedures for MDIs. In addition, the FDIC implemented a new marketing procedure that provides a two-week window exclusively for MDIs.[2]

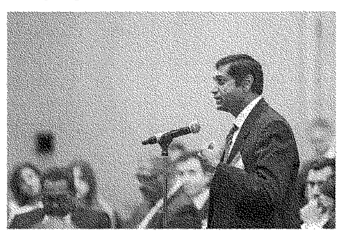
Interagency MDI and CDFI Bank Conference

In June, the FDIC hosted the interagency MDI and CDFI bank conference, *Focus on the Future: Prospering in a Changing Industry*, in collaboration with the OCC and Federal Reserve. There were more than 200 attendees, of which 80 were MDI and CDFI bankers, representing 61 banks, at the two-day conference held at the FDIC's L. William Seidman Center in Arlington, Virginia.



Makada Henry-Nickie, Brookings Institute, (left) facilitated the discussion of key challenges facing minority and CDFI banks with FDIC Chairman Jelena McWilliams, OCC Senior Deputy Comptroller Grovetta Gardineer, and Federal Reserve Governor Michelle Bowman.

Agency principals from the FDIC, OCC, and the Federal Reserve opened the conference by providing updates on programs and policies that can help MDI and CDFI banks achieve their goals. Chairman McWilliams began the conversation by emphasizing the importance of minority banks to the financial system. "MDIs are critical to our nation's banking system. The idea behind this conference is to highlight your issues and honor the work that you do. I am very grateful to you." After remarks from each principal, the audience actively engaged with the principals through a variety of questions and comments.



Nilesh Patel, Central Bank, asks a question during the Agency Principals' panel.

[2] See discussion under Failing Institutions, page 12.

General sessions included a supervision panel where attendees heard from top regulatory officials about trending topics that are pertinent for MDIs. Other general sessions featured MDI CEOs offering their perspectives on top leadership issues; innovation; collaboration; and expanding MDI and CDFI bank participation in the New Markets Tax Credit program, which was a peer-to-peer dialogue.

CEO Perspectives Panel: From left, Arthur W. Lindo, Deputy Director of Policy, Federal Reserve, moderator; Cynthia Day, Citizens Trust Bank; Noor Menai, CTBC Bank Corp (USA); and Darrin Williams, Southern Bancorp, Inc.

Also featured was a general session on the FDIC's research study, *MDI Structure, Performance, and Social Impact*. The authors of the study discussed their findings, including trends in the structure, financial performance, and social impact of MDIs.


FDIC Research Study, *Minority Depository Institutions: Structure, Performance, and Social Impact*. From left: Erica Lee, moderator, Eric Breitenstein, Karyen Chu, and Margaret Hanrahan, Division of Insurance and Research, FDIC.

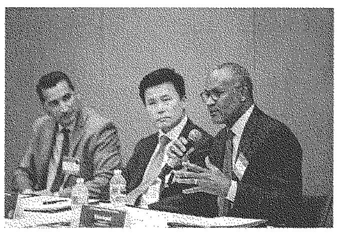
There was an extended session on Opportunity Zones, which explored the role that MDIs and CDFI banks can play in this tax incentive. Panelists included bankers who have participated in Opportunity Zone transactions, Opportunity Fund managers who are connecting investors and deals, and professionals with technical knowledge of the tax incentive.


Opportunity Zones Panel. From left: Aron Betru, Milken Institute, moderator; Mike Morrell, Sunrise Banks; Adam Northup, Virginia Community Capital; and Tony Thomas, Harbor Bankshares Capital Corporation.

The conference also featured a number of concurrent workshops that highlighted relevant topics for MDIs and CDFI banks. Topics included cybersecurity; a research discussion about understanding MDIs and their markets; Federal programs supporting MDIs; succession management; a peer discussion on the benefits of participating in the CDFI Fund's programs; and a workshop that focused on the FDIC's role in supporting preservation of the minority character of failing MDIs.

There were several networking opportunities for MDIs to learn from each other, share common interests, and interact with their regulators and other Federal agencies. These included networking lunches, an opening reception, and an opportunity to have candid conversations with regulators during a breakfast on the second day.

Attendees provided high ratings for the conference overall, and they specifically found the topics to be relevant to their work.



Succession Planning Workshop. From left: Asif Dakri, Wallis Bank; James Wang, Asian Bank; and Brian Argrett, City First Bank of DC.

Alden J. McDonald, Jr. (center) introduces his son, Todd McDonald, to FDIC Chairman McWilliams. Alden McDonald founded Liberty Bank and Trust in 1972 in New Orleans, Louisiana.

Preserving the Minority Character: FDIC Franchise Marketing Update. From left: Nathan Sis, Resolutions and Closing Manager, FDIC; and Pamela Farwig, Deputy Director, Division of Resolutions and Receiverships, FDIC.

Saurabh Narain, President and CEO, National Community Investment Fund and Alan Thian, President and CEO, Royal Business Bank at the opening reception.

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Whitney Thomas Toussaint discusses her role as an FDIC Regional MDI Coordinator for the New York Region. Also pictured is Doyle Mitchell, President and CEO, Industrial Bank.

Technical Assistance

The FDIC pursued efforts to improve communication and interaction with MDIs and to respond to the concerns of minority bankers in 2019. The FDIC 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 routinely contacts MDIs to offer return visits by supervision staff and technical assistance following the conclusion of FDIC safety and soundness, consumer compliance, CRA, and specialty examinations to help bank management understand and implement examination recommendations. These return visits, normally conducted within 90 to 120 days after the examination, are intended to provide useful recommendations or feedback for improving operations, not to identify new issues.

MDIs also may initiate contact with the FDIC to request technical assistance. The FDIC's MDI website (*FDIC.gov/MDI*) provides contact information and encourages any MDI to request technical assistance from the FDIC at any time (*FDIC Regional MDI Coordinator contact list*).

In 2019, the FDIC provided 134 technical assistance sessions on nearly 50 risk management, consumer compliance, and resolution topics, including:

- Accounting,
- Bank Secrecy Act and Anti-Money Laundering,
- Community Reinvestment Act,
- Compliance management,
- Funding and liquidity,
- Information technology risk management and cybersecurity,
- Internal audit, and
- Failed bank acquisition.

Outreach, Training, and Educational Programs

The FDIC holds outreach, training, and educational programs for MDIs through individual meetings, conference calls, workshops, webinars, and regional banker roundtables. In 2019, topics of discussion for these sessions included many of those listed above, as well as collaboration and partnerships, the CECL accounting methodology, IT vendor management, cybersecurity, innovation, CDFI Fund programs, and emerging technology.

The National Director and staff took part in several outreach initiatives in 2019, including engagement with the National Bankers Association, the National Association of Chinese American Bankers, the American Bankers Association, the Independent Community Bankers of America, and the Community Development Bankers Association.

Outreach by the National Director also included visits to six FDIC-supervised MDIs across the country.

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Betty J. Rudolph, National Director, Minority and Community Development Banking, FDIC, shown here with the Board of Directors of the National Association of Chinese American Bankers.

Failing Institutions

In accordance with Section 308 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 on the final bidders list.

The FDIC implemented a new failing bank marketing procedure in 2019 that provides a two-week 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.

The FDIC applied this new procedure to the sole failure of an MDI in 2019. An African American MDI failed on November 1, 2019, and another African American MDI submitted the least cost bid, assumed all of the deposits, and purchased the failed bank's assets.

The FDIC's research shows that over a 17-year period, most of the assets of merged and failed MDIs have been acquired by other MDIs. Of the nearly $23 billion in MDI failed-bank assets during this period, 86 percent were acquired by another minority institution.

Conclusion

The FDIC recognizes that MDIs play a unique role in promoting economic viability in minority and underserved neighborhoods, and providing access to capital in their communities. The FDIC has long recognized the importance of MDIs in the financial system, and takes steps to preserve and encourage minority ownership and management of insured financial institutions.

MDI bankers provide valuable input to the FDIC, including unique insight and experiences, as active members of two FDIC Advisory Committees that shape FDIC priorities and policy: the Advisory Committee on Economic Inclusion and the Advisory Committee on Community Banking. The MDI Subcommittee to CBAC also provides an opportunity for minority bankers to discuss

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key issues and share feedback with FDIC Board Members and senior management and to promote collaboration, partnerships, and best practices.

Preserving, promoting, and building capacity in these institutions are top priorities for the FDIC. The FDIC continually seeks to identify initiatives that will enable it to carry out its commitment to preserve MDIs and the minority character of these institutions.

Attachments

Attachment 1: FDIC's *Policy Statement Regarding Minority Depository Institutions*

Attachment 2: *List of Minority Depository Institutions as of December 31, 2019*

Attachment 3: *Resource Guide for Collaboration with Minority Depository Institutions*

Attachment 4: *Large Bank Roundtable Collaboration Inventory*

"The health of Minority Depository Institutions is essential to the health of our nation's financial system. The FDIC is dedicated to promoting the financial strength of MDIs. The FDIC stands ready to preserve and protect MDIs. They are the lifeblood of their communities."

—*Jelena McWilliams, Chairman, FDIC*

Attachment 1

POLICY STATEMENT REGARDING MINORITY DEPOSITORY INSTITUTIONS

Minority depository institutions often promote the economic viability of minority and under-served communities. The FDIC has long recognized the importance of minority depository institutions and has historically taken steps to preserve and encourage minority ownership of insured financial institutions.

Statutory Framework

In August 1989, Congress enacted the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"). Section 308 of FIRREA established the following goals:

- Preserve the number of minority depository institutions;
- Preserve the minority character in cases of merger or acquisition;
- Provide technical assistance to prevent insolvency of institutions not now insolvent;
- Promote and encourage creation of new minority depository institutions; and
- Provide for training, technical assistance, and educational programs.

Definition

"Minority" as defined by Section 308 of FIRREA means any "Black American, Asian American, Hispanic American, or Native American." Section 308 of FIRREA defines "minority depository institution" as any Federally insured depository institution where 51 percent or more of the voting stock is owned by one or more "socially and economically disadvantaged individuals." Given the ambiguous nature of the phrase "socially and economically disadvantaged individuals," for the purposes of this Policy Statement, minority depository institution is defined as any Federally insured depository institution where 51 percent or more of the voting stock is owned by minority individuals. This includes institutions collectively owned by a group of minority individuals, such as a Native American Tribe. Ownership must be by U.S. citizens or permanent legal U.S. residents to be counted in determining minority ownership. In addition to the institutions that meet the ownership test, for the purposes of this Policy Statement, institutions will be considered minority depository institutions if a majority of the Board of Directors is minority and the community that the institution serves is predominantly minority.

Identification of Minority Depository Institutions

To ensure that all minority depository institutions are able to participate in the program, the FDIC will maintain a list of Federally insured minority depository institutions. Institutions that are not already identified as minority depository institutions can request to be designated as such by certifying that they meet the above definition. For institutions supervised directly by the FDIC, our examiners will review the appropriateness of an institution being on the list during the examination process. In addition, case managers in our regional offices will note changes to the list while processing deposit insurance applications, merger applications, change of control notices, or failures of minority depository institutions. The FDIC will work closely with the other Federal regulatory agencies to ensure that institutions not directly supervised by the FDIC are accurately captured on our list. In addition, the FDIC will periodically provide the list to relevant trade associations and seek input regarding its accuracy. Inclusion in the FDIC's minority depository institution program is voluntary. Any minority depository institution not wishing to participate in this program will be removed from the official list upon request.

Organizational Structure

The FDIC has designated a national coordinator for the FDIC's minority depository institutions program in the Washington Office and a regional coordinator in each Regional Office. The national coordinator will consult with officials from the Office of Diversity and Economic Opportunity, the Legal Division, and the Division of Resolutions and Receiverships to ensure appropriate personnel are involved in program initiatives. The national coordinator will regularly contact the various minority depository institution trade associations to seek feedback on the FDIC's efforts under this program, discuss possible training initiatives, and explore options for preserving and promoting minority ownership of depository institutions. As the primary Federal regulator for State nonmember banks, the FDIC will focus its efforts on these institutions. However, the national coordinator will meet with the other Federal regulators periodically to discuss each agency's outreach efforts, to share the ideas, and to identify opportunities where the agencies can work together to assist minority depository institutions. Representatives of other divisions and offices may participate in these meetings.

The regional coordinators are knowledgeable about minority bank issues and are available to answer questions or to direct inquiries to the appropriate office. However, each FDIC-insured institution has previously been assigned a specific case manager in their regional office who will continue to be the institution's central point of contact at the FDIC. At least annually, regional coordinators will contact each minority depository institution directly supervised by the FDIC in their respective regions to discuss the FDIC's efforts to promote and preserve minority ownership of financial institutions and to offer to have a member of regional management meet with the institution's board of directors to discuss issues of interest. Finally, the regional coordinators will contact all new minority State nonmember banks identified through insurance applications, merger applications, or change in control notices to familiarize the institutions with the FDIC's minority depository institution program.

Technical Assistance

The FDIC can provide technical assistance to minority depository institutions in several ways on a variety of issues. An institution can contact its case manager for assistance in understanding bank regulations, FDIC policies, examination procedures, etc. Case managers can also explain the application process and the type of

Preservation and Promotion of Minority Depository Institutions

The Federal Deposit Insurance Corporation Report to Congress for 2019

analysis and information required for different applications. During examinations, examiners are expected to fully explain any supervisory recommendations and should offer to help management understand satisfactory methods to address such recommendations.

At the conclusion of each examination of a minority depository institution directly supervised by the FDIC, the FDIC will offer to have representatives return to the institution approximately 90 to 120 days later to review areas of concern or topics of interest to the institution. The purpose of the return visits will be to assist management in understanding and implementing examination recommendations, not to identify new problems. The level of technical assistance provided should be commensurate with the issues facing the institution. As such, institutions where more examination recommendations are made would generally be offered more detailed technical assistance in implementing those recommendations.

FDIC employees can advise on risk management procedures, accounting practices, recruiting techniques, etc., but will not actually perform tasks expected of an institution's management or employees. For example, FDIC employees may explain Call Report instructions as they relate to specific accounts, but will not assist in the preparation of an institution's Call Report. As another example, FDIC employees may provide information on community reinvestment opportunities, but will not recommend a specific transaction.

Training and Educational Programs

The FDIC will work with trade associations representing minority depository institutions and other regulatory agencies to periodically assess the need for, and provide for, training opportunities and educational opportunities. We will partner with the trade associations to offer training programs during their annual conferences and other regional meetings.

The national coordinator and the regional coordinators will also work with trade associations and other organizations to attempt to identify groups that may be interested in establishing new minority depository institutions. FDIC representatives will be available to address such groups to discuss the application process, the requirements of becoming FDIC insured, and the various programs geared toward minority depository institutions.

Failing Institutions

The FDIC will attempt to preserve the minority character of failing institutions during the resolution process. In the event of a potential failure of a minority depository institution, the Division of Resolutions and Receiverships will contact all minority depository institutions nationwide that qualify to bid on failing institutions. The Division of Resolutions and Receiverships will solicit qualified minority depository institutions' interest in the failing institution, discuss the bidding process, and upon request, offer to provide technical assistance regarding completion of the bid forms. In addition, the Division of Resolutions and Receiverships, with assistance from the Office of Diversity and Economic Opportunity, will maintain a list of minority individuals and nonbank entities that have expressed an interest in acquiring failing minority-owned institutions. Trade associations that represent minority depository institutions will also be contacted periodically to help identify possible interested parties.

Reporting

The regional coordinators will report their region's activities related to this Policy Statement to the national coordinator quarterly. The national coordinator will compile the results of the regional offices' reports and submit a quarterly summary to the Office of the Chairman. Our efforts to preserve and promote minority ownership of depository institutions will also be highlighted in the FDIC's Annual Report.

Internet Site

The FDIC will create a Webpage on its Internet site (www.fdic.gov) to promote the Minority Depository Institution Program. Among other things, the page will describe the program and include the name, phone number, and email address of the national coordinator and each regional coordinator. The page will also contain links to the list of minority depository institutions, pertinent trade associations, and other regulatory agency programs. We will also explore the feasibility and usefulness of posting other items to the page, such as statistical information and comparative data for minority depository institutions. Visitors will have the opportunity to provide feedback regarding the FDIC's program and the usefulness of the Webpage.

By order of the Board of Directors, April 9, 2002.
[Source: 67 Fed. Reg. 18620, April 16, 2002]

Attachment 2

LIST OF MINORITY DEPOSITORY INSTITUTIONS

December 31, 2019										
NAME	CITY	STATE	EST. DATE	CERT	CLASS	REGULATOR	MINORITY STATUS Alpha	MINORITY STATUS Num.	FDIC REGION	TOTAL ASSETS ($000)
Alamerica Bank	BIRMINGHAM	AL	20000128	35314	NM	FDIC	B	1	ATLANTA	19,584
Commonwealth National Bank	MOBILE	AL	19760219	22229	N	OCC	B	1	ATLANTA	49,791
BAC Florida Bank	CORAL GABLES	FL	19731012	21265	NM	FDIC	H	2	ATLANTA	2,260,033
Banesco USA	CORAL GABLES	FL	20060110	57815	NM	FDIC	H	2	ATLANTA	1,718,155
U. S. Century Bank	DORAL	FL	20021028	57369	NM	FDIC	H	2	ATLANTA	1,312,272
Executive National Bank	MIAMI	FL	19720607	20711	N	OCC	H	2	ATLANTA	467,405
Interamerican Bank, A FSB	MIAMI	FL	19760823	31823	SB	OCC	H	2	ATLANTA	201,400
International Finance Bank	MIAMI	FL	19831130	24823	NM	FDIC	H	2	ATLANTA	780,095
Ocean Bank	MIAMI	FL	19821209	24156	NM	FDIC	H	2	ATLANTA	4,314,163
Plus International Bank	MIAMI	FL	20010914	57083	NM	FDIC	H	2	ATLANTA	72,586
Sunstate Bank	MIAMI	FL	19990315	34643	NM	FDIC	H	7	ATLANTA	451,808
Central Bank	TAMPA	FL	20070226	58377	NM	FDIC	A	3	ATLANTA	200,413
Touchmark National Bank	ALPHARETTA	GA	20080128	58687	N	OCC	A	3	ATLANTA	407,629
Citizens Trust Bank	ATLANTA	GA	19210618	8033	SM	FED	B	1	ATLANTA	418,130
First IC Bank	DORAVILLE	GA	20000131	34998	NM	FDIC	A	3	ATLANTA	704,772
Metro City Bank	DORAVILLE	GA	20060404	58181	NM	FDIC	A	3	ATLANTA	1,636,039
PromiseOne Bank	DULUTH	GA	20081106	58657	NM	FDIC	A	3	ATLANTA	450,362
Loyal Trust Bank	JOHNS CREEK	GA	20191118	59182	NM	FDIC	A	8	ATLANTA	25,679
Embassy National Bank	LAWRENCEVILLE	GA	20070305	58413	N	OCC	A	3	ATLANTA	109,617
Carver State Bank	SAVANNAH	GA	19270101	16584	NM	FDIC	B	1	ATLANTA	42,345
Quantum National Bank	SUWANEE	GA	19951227	34110	N	OCC	A	3	ATLANTA	512,653
Mechanics & Farmers Bank	DURHAM	NC	19080301	12266	NM	FDIC	B	1	ATLANTA	265,273

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December 31, 2019										
NAME	CITY	STATE	EST. DATE	CERT	CLASS	REGULATOR	MINORITY STATUS Alpha	MINORITY STATUS Num.	FDIC REGION	TOTAL ASSETS ($000)
Lumbee Guaranty Bank	PEMBROKE	NC	19711222	20568	NM	FDIC	N	4	ATLANTA	343,753
OPTUS Bank	COLUMBIA	SC	19990326	35241	NM	FDIC	B	1	ATLANTA	78,131
Citizens Bank of Chatsworth	CHATSWORTH	IL	19340101	10843	NM	FDIC	A	3	CHICAGO	33,495
American Metro Bank	CHICAGO	IL	19970129	34334	NM	FDIC	A	3	CHICAGO	80,451
GN Bank	CHICAGO	IL	19340101	29399	SB	OCC	B	1	CHICAGO	137,351
International Bank of Chicago	CHICAGO	IL	19921026	33708	NM	FDIC	A	3	CHICAGO	677,878
Pacific Global Bank	CHICAGO	IL	19951109	34089	SM	FED	A	3	CHICAGO	219,898
Millennium Bank	DES PLAINES	IL	20070702	58348	NM	FDIC	A	3	CHICAGO	153,551
Metro Bank	LOUISVILLE	KY	19970106	34308	NM	FDIC	B	6	CHICAGO	26,311
First Independence Bank	DETROIT	MI	19700514	20179	NM	FDIC	B	1	CHICAGO	295,951
Bay Bank	GREEN BAY	WI	19950821	34052	NM	FDIC	N	4	CHICAGO	108,303
Columbia Savings and Loan Association	MILWAUKEE	WI	19240101	28480	SL	FDIC	B	1	CHICAGO	21,979
Native American Bank, National Association	DENVER	CO	19870727	27026	N	OCC	N	4	DALLAS	132,849
Liberty Bank and Trust Company	NEW ORLEANS	LA	19721116	20856	NM	FDIC	B	1	DALLAS	601,545
Centinel Bank of Taos	TAOS	NM	19690301	19904	NM	FDIC	H	2	DALLAS	279,487
FirstBank	ANTLERS	OK	19010101	14331	SM	FED	N	4	DALLAS	322,210
AllNations Bank	CALUMET	OK	19010101	4051	SM	FED	N	4	DALLAS	43,346
F & M Bank	EDMOND	OK	19020101	12761	NM	FDIC	N	4	DALLAS	480,916
Bank of Grand Lake	GROVE	OK	20050609	57915	NM	FDIC	H	2	DALLAS	170,152

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NAME	CITY	STATE	EST. DATE	CERT	CLASS	REGULATOR	MINORITY STATUS Alpha	MINORITY STATUS Num.	FDIC REGION	TOTAL ASSETS ($000)
Bank of Cherokee County	HULBERT	OK	19081201	2327	SM	FED	N	4	DALLAS	118,707
Gateway First Bank	JENKS	OK	19350503	15118	NM	FDIC	N	4	DALLAS	1,498,327
Bank 2	OKLAHOMA CITY	OK	19030101	11521	SM	FED	N	4	DALLAS	198,963
First Security Bank and Trust Company	OKLAHOMA CITY	OK	19510406	17001	NM	FDIC	B	1	DALLAS	55,713
First National Bank and Trust Company	SHAWNEE	OK	19841029	25738	N	OCC	N	4	DALLAS	243,644
Bank of Commerce	STILWELL	OK	19030203	2320	NM	FDIC	N	4	DALLAS	131,854
Oklahoma State Bank	VINITA	OK	19380713	15611	NM	FDIC	N	4	DALLAS	154,754
Tri-State Bank of Memphis	MEMPHIS	TN	19461216	16511	NM	FDIC	B	1	DALLAS	85,617
Citizens Savings Bank and Trust Company	NASHVILLE	TN	19040104	10319	NM	FDIC	B	1	DALLAS	97,321
International Bank of Commerce	BROWNSVILLE	TX	19841009	25679	NM	FDIC	H	2	DALLAS	1,074,874
One World Bank	DALLAS	TX	20050404	57901	NM	FDIC	A	3	DALLAS	106,645
State Bank of Texas	DALLAS	TX	19871019	27074	NM	FDIC	A	3	DALLAS	853,091
United Bank of El Paso del Norte	EL PASO	TX	20010501	57119	SM	FED	H	2	DALLAS	236,063
Freedom Bank	FREER	TX	19580712	17881	NM	FDIC	H	2	DALLAS	48,148
American First National Bank	HOUSTON	TX	19980518	34656	N	OCC	A	3	DALLAS	1,904,248
Golden Bank, National Association	HOUSTON	TX	19850503	26223	N	OCC	A	3	DALLAS	1,022,609
Southwestern National Bank	HOUSTON	TX	19971103	34319	N	OCC	A	3	DALLAS	590,447
Unity National Bank of Houston	HOUSTON	TX	19850801	26351	N	OCC	B	1	DALLAS	106,140

Attachment 2: List of Minority Depository Institutions as of December 31, 2019

Preservation and Promotion of Minority Depository Institutions

The Federal Deposit Insurance Corporation Report to Congress for 2019

LIST OF MINORITY DEPOSITORY INSTITUTIONS

December 31, 2019

NAME	CITY	STATE	EST. DATE	CERT	CLASS	REGULATOR	MINORITY STATUS Alpha	MINORITY STATUS Num.	FDIC REGION	TOTAL ASSETS ($000)
Commerce Bank	LAREDO	TX	19820331	23772	NM	FDIC	H	2	DALLAS	508,218
Falcon International Bank	LAREDO	TX	19861210	26856	NM	FDIC	H	2	DALLAS	1,294,446
International Bank of Commerce	LAREDO	TX	19660902	19629	NM	FDIC	H	2	DALLAS	8,724,864
Bank of South Texas	MCALLEN	TX	19860708	26727	NM	FDIC	H	2	DALLAS	137,980
Greater State Bank	MCALLEN	TX	19740101	31762	NM	FDIC	H	2	DALLAS	89,273
Rio Bank	MCALLEN	TX	19850211	25886	NM	FDIC	H	7	DALLAS	544,956
Texas National Bank	MERCEDES	TX	19201126	3337	N	OCC	H	2	DALLAS	330,035
Lone Star National Bank	PHARR	TX	19830124	24347	N	OCC	H	2	DALLAS	2,418,865
Citizens State Bank	ROMA	TX	19780515	22657	NM	FDIC	H	2	DALLAS	87,941
First State Bank	SHALLOWATER	TX	19601008	18301	NM	FDIC	A	3	DALLAS	95,194
Wallis Bank	WALLIS	TX	19721028	20845	NM	FDIC	A	3	DALLAS	796,690
International Bank of Commerce	ZAPATA	TX	19840206	24961	NM	FDIC	H	2	DALLAS	384,273
Zapata National Bank	ZAPATA	TX	19611116	18454	N	OCC	H	2	DALLAS	86,614
Pinnacle Bank	MARSHALLTOWN	IA	19270505	252	SM	FED	N	4	KANSAS CITY	215,130
CBW Bank	WEIR	KS	18920101	13959	NM	FDIC	A	3	KANSAS CITY	86,916
Woodlands National Bank	HINCKLEY	MN	19081001	1417	N	OCC	N	4	KANSAS CITY	207,944
People's Bank of Seneca	SENECA	MO	19960315	34146	NM	FDIC	N	4	KANSAS CITY	238,507
Turtle Mountain State Bank	BELCOURT	ND	20071203	58586	NM	FDIC	N	4	KANSAS CITY	35,753
Industrial Bank	WASHINGTON	DC	19340818	14679	NM	FDIC	B	1	NEW YORK	530,840

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Leader Bank, National Association	ARLINGTON	MA	20020508	57134	N	OCC	A	3	NEW YORK	1,583,299
The Harbor Bank of Maryland	BALTIMORE	MD	19820913	24015	NM	FDIC	B	6	NEW YORK	311,321
KEB Hana Bank USA, National Association	FORT LEE	NJ	19860916	26790	N	OCC	A	3	NEW YORK	243,086
New Millennium Bank	FORT LEE	NJ	19990719	35151	NM	FDIC	A	8	NEW YORK	389,647
Ponce Bank	BRONX	NY	19600331	31189	SB	OCC	H	7	NEW YORK	1,051,663
Amerasia Bank	FLUSHING	NY	19880620	27267	NM	FDIC	A	3	NEW YORK	691,915
NewBank	FLUSHING	NY	20060929	58203	NM	FDIC	A	3	NEW YORK	451,432
Abacus Federal Savings Bank	NEW YORK	NY	19841129	32257	SB	OCC	A	3	NEW YORK	353,374
Carver Federal Savings Bank	NEW YORK	NY	19480101	30394	SB	OCC	B	6	NEW YORK	571,987
Eastbank, National Association	NEW YORK	NY	19841126	25749	N	OCC	A	3	NEW YORK	175,530
Global Bank	NEW YORK	NY	20070312	58263	NM	FDIC	A	3	NEW YORK	202,466
Piermont Bank	NEW YORK	NY	20190701	59154	NM	FDIC	A	8	NEW YORK	45,298
Popular Bank	NEW YORK	NY	19990102	34967	SM	FED	H	7	NEW YORK	10,055,910
Shinhan Bank America	NEW YORK	NY	19901018	33188	NM	FDIC	A	8	NEW YORK	1,627,721
United Orient Bank	NEW YORK	NY	19810409	23373	NM	FDIC	A	3	NEW YORK	82,908
Noah Bank	ELKINS PARK	PA	20060717	58196	NM	FDIC	A	3	NEW YORK	390,453
Asian Bank	PHILADELPHIA	PA	19990609	34759	SM	FED	A	3	NEW YORK	238,451
United Bank of Philadelphia	PHILADELPHIA	PA	19920323	33568	NM	FDIC	B	1	NEW YORK	49,442
Banco Popular de Puerto Rico	HATO REY	PR	19990102	34968	SM	FED	H	7	NEW YORK	41,627,000

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Banco Santander Puerto Rico	SAN JUAN	PR	19721002	20828	NM	FDIC	H	7	NEW YORK	6,005,654
Oriental Bank	SAN JUAN	PR	19650325	31469	NM	FDIC	H	7	NEW YORK	9,253,736
FirstBank Puerto Rico	SANTURCE	PR	19490117	30387	NM	FDIC	H	7	NEW YORK	12,597,360
First Commercial Bank (USA)	ALHAMBRA	CA	19970520	34496	NM	FDIC	A	8	SAN FRANCISCO	692,103
New OMNI Bank, National Association	ALHAMBRA	CA	19800212	23086	N	OCC	A	3	SAN FRANCISCO	460,253
American Plus Bank, N.A.	ARCADIA	CA	20070808	58469	N	OCC	A	3	SAN FRANCISCO	563,445
First Choice Bank	CERRITOS	CA	20050818	57966	SM	FED	A	3	SAN FRANCISCO	1,690,431
American Continental Bank	CITY OF INDUSTRY	CA	20031006	57444	NM	FDIC	A	3	SAN FRANCISCO	269,874
United Pacific Bank	CITY OF INDUSTRY	CA	19820511	23805	NM	FDIC	A	3	SAN FRANCISCO	149,364
Community Commerce Bank	CLAREMONT	CA	19761001	26363	NM	FDIC	H	2	SAN FRANCISCO	279,859
US Metro Bank	GARDEN GROVE	CA	20060915	58310	NM	FDIC	A	3	SAN FRANCISCO	542,288
California Business Bank	IRVINE	CA	20051101	58037	NM	FDIC	A	3	SAN FRANCISCO	82,608
Commercial Bank of California	IRVINE	CA	20030515	57417	NM	FDIC	H	2	SAN FRANCISCO	1,084,381
Bank of Hope	LOS ANGELES	CA	19860318	26610	NM	FDIC	A	8	SAN FRANCISCO	15,666,543
Broadway Federal Bank, f.s.b.	LOS ANGELES	CA	19470226	30306	SB	OCC	B	1	SAN FRANCISCO	438,033
Cathay Bank	LOS ANGELES	CA	19620419	18503	NM	FDIC	A	3	SAN FRANCISCO	18,066,529
COMMONWEALTH BUSINESS BANK	LOS ANGELES	CA	20050303	57873	SM	FED	A	3	SAN FRANCISCO	1,162,520

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CTBC Bank Corp. (USA)	LOS ANGELES	CA	19650427	19416	NM	FDIC	A	8	SAN FRANCISCO	3,673,681
Eastern International Bank	LOS ANGELES	CA	19850226	32277	NM	FDIC	A	3	SAN FRANCISCO	128,700
Hanmi Bank	LOS ANGELES	CA	19821215	24170	NM	FDIC	A	8	SAN FRANCISCO	5,530,677
Open Bank	LOS ANGELES	CA	20050610	57944	NM	FDIC	A	3	SAN FRANCISCO	1,179,378
Pacific City Bank	LOS ANGELES	CA	20030918	57463	NM	FDIC	A	3	SAN FRANCISCO	1,746,302
Preferred Bank	LOS ANGELES	CA	19911223	33539	NM	FDIC	A	3	SAN FRANCISCO	4,630,165
Royal Business Bank	LOS ANGELES	CA	20081118	58816	NM	FDIC	A	8	SAN FRANCISCO	2,783,284
Gateway Bank, F.S.B.	OAKLAND	CA	19900608	33103	SB	OCC	A	3	SAN FRANCISCO	128,563
Metropolitan Bank	OAKLAND	CA	19830901	25869	NM	FDIC	A	3	SAN FRANCISCO	181,441
East West Bank	PASADENA	CA	19720101	31628	SM	FED	A	8	SAN FRANCISCO	44,181,503
EverTrust Bank	PASADENA	CA	19950503	34010	NM	FDIC	A	8	SAN FRANCISCO	945,202
Pacific Alliance Bank	ROSEMEAD	CA	20061227	58234	NM	FDIC	A	3	SAN FRANCISCO	269,124
First General Bank	ROWLAND HEIGHTS	CA	20051013	58060	NM	FDIC	A	3	SAN FRANCISCO	977,318
Bank of the Orient	SAN FRANCISCO	CA	19710317	20387	SM	FED	A	3	SAN FRANCISCO	894,124
California Pacific Bank	SAN FRANCISCO	CA	19801016	23242	NM	FDIC	A	3	SAN FRANCISCO	77,392
Mission National Bank	SAN FRANCISCO	CA	19820216	23749	N	OCC	A	3	SAN FRANCISCO	250,037

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NAME	CITY	STATE	EST. DATE	CERT	CLASS	REGULATOR	MINORITY STATUS Alpha	MINORITY STATUS Num.	FDIC REGION	TOTAL ASSETS ($000)
Asian Pacific National Bank	SAN GABRIEL	CA	19900725	33013	N	OCC	A	3	SAN FRANCISCO	56,537
Mega Bank	SAN GABRIEL	CA	20080205	58401	NM	FDIC	A	3	SAN FRANCISCO	389,990
Universal Bank	WEST COVINA	CA	19541117	30722	SB	OCC	A	3	SAN FRANCISCO	417,227
California International Bank, N.A.	WESTMINSTER	CA	20051130	57974	N	OCC	A	3	SAN FRANCISCO	42,943
Bank of Whittier, National Association	WHITTIER	CA	19821220	24211	N	OCC	A	3	SAN FRANCISCO	73,884
ANZ Guam, Inc.	HAGATNA	GU	19910111	33316	NM	FDIC	A	8	SAN FRANCISCO	335,195
Bank of Guam	HAGATNA	GU	19721211	20884	NM	FDIC	A	3	SAN FRANCISCO	1,944,695
BankPacific, Ltd	HAGATNA	GU	19530101	30692	SL	FDIC	A	3	SAN FRANCISCO	154,562
Finance Factors, Ltd.	HONOLULU	HI	19520514	25158	NM	FDIC	A	3	SAN FRANCISCO	589,208
Hawaii National Bank	HONOLULU	HI	19600916	18296	N	OCC	A	3	SAN FRANCISCO	665,004
Ohana Pacific Bank	HONOLULU	HI	20060601	58231	NM	FDIC	A	3	SAN FRANCISCO	183,814
OneUnited Bank	BOSTON	MA	19820802	23966	NM	FDIC	B	1	SAN FRANCISCO	654,051
Eagle Bank	POLSON	MT	20060725	58282	NM	FDIC	N	4	SAN FRANCISCO	70,491
UniBank	LYNNWOOD	WA	20061101	58407	NM	FDIC	A	3	SAN FRANCISCO	347,435
Total			Count	144						248,619,176

Attachment 2: List of Minority Depository Institutions as of December 31, 2019

Preservation and Promotion of Minority Depository Institutions

The Federal Deposit Insurance Corporation Report to Congress for 2019

LIST OF MINORITY DEPOSITORY INSTITUTIONS

December 31, 2019

NAME	CITY	STATE	EST. DATE	CERT	CLASS	REGULATOR	MINORITY STATUS Alpha	MINORITY STATUS Num.	FDIC REGION	TOTAL ASSETS ($000)

Count	Minority Status
21	B - Black or African American
33	H - Hispanic American
73	A - Asian or Pacific Islander American
17	N - Native American or Alaskan Native American
0	M - Multi-racial American

Class	Definitions of Class Types
94	NM -State bank, not a member of the Federal Reserve
15	SM - State bank, member of the Federal Reserve
25	N - National bank
2	SL - State or Federal savings and loan association
8	SB - State or Federal savings bank

Regulator	Definitions by Primary Federal Supervisory Agency
96	FDIC - Federal Deposit Insurance Corporation
33	OCC - Office of the Comptroller of the Currency
15	FED - Federal Reserve

Count	Minority Status
18	1 - Black or African American
25	2 - Hispanic American
61	3 - Asian or Pacific Islander American
17	4 - Native American or Alaskan Native American
0	5 - Multi-racial American
3	6 - Minority Board and Serving African American Community
8	7 - Minority Board and Serving Hispanic Community
12	8 - Minority Board and Serving Asian or Pacific Islander Community
0	9 - Minority Board and Serving Native American or Alaskan Native American Community
0	10 - Minority Board and Serving Multi-Racial Community

Attachment 2: List of Minority Depository Institutions as of December 31, 2019

Attachment 3

RESOURCE GUIDE FOR COLLABORATION WITH MINORITY DEPOSITORY INSTITUTIONS

Minority depository institutions (MDIs)[1] play a vital role in the U.S. economy by providing responsive banking services to those who might not otherwise have access to a financial institution. MDIs tend to maintain offices in underserved communities which often have a higher concentration of low- or moderate-income (LMI) census tracts and a higher share of minority populations. In addition, MDIs tend to originate a greater proportion of their mortgages to borrowers who live in LMI census tracts and to minority borrowers compared to non-MDI institutions.[2]

Insured depository institutions, whether an MDI or non-MDI, may realize business and regulatory benefits from partnering and forming collaborative relationships with MDIs. MDIs often have a better understanding of the economic development needs of underserved areas. At the same time, MDIs are sometimes challenged in providing a full spectrum of banking services to their communities due to the MDIs' size and limited resources. A partnership or collaborative relationship can create opportunities for non-MDI banks to offer additional capacities to MDIs in a multitude of mutually beneficial areas. These efforts can also provide MDIs' communities with access to a wider variety of services and improve operational efficiencies.

Collaboration among MDIs, or between MDIs and non-MDIs, can result in sound and profitable lending and investments that meet the needs of underserved communities. In addition, institutions engaging in such collaboration and partnerships may receive Community Reinvestment Act (CRA) consideration for such activities.[3]

Examples of Collaboration With and Among MDIs

There are a variety of activities regarding which non-MDIs and other MDIs may collaborate with an MDI. These activities could include, but are not limited to, the following:

» Direct investment in an MDI;

» Loan participations, other lending arrangements, and sharing of loan servicing;

» Sharing of bank staff and other resources; and

» Information networking.

[1]The three federal banking agencies have separate definitions of MDI. FDIC defines "minority depository institution" as any federally insured depository institution where 51 percent or more of the voting stock is owned by minority individuals. In addition to institutions that meet the FDIC's ownership test, institutions will be considered minority depository institutions if a majority of the board of directors is minority and the community that the institution serves is predominantly minority.

[2]"Minority Depository Institutions: Structure, Performance, and Social Impact" FDIC Quarterly, Vol. 8, No. 3, 2014, pp. 55-59.

[3]Refer to the Federal Financial Institution Examinations Council CRA questions and answers available at *https://www.ffiec.gov/cra/qnadoc.htm*, FDIC FIL-77-2016 (November 15, 2016) "Banker Teleconference Series: Webinar on Recently Revised Interagency Questions and Answers Regarding Community Reinvestment" available at *https://www.fdic.gov/news/news/financial/2016/fil16077.html*.

Direct Investment in an MDI

Non-MDIs or other MDIs may place deposits directly with an MDI, make a direct capital investment in an MDI, or participate in a fund that makes direct investments in an MDI.

Loan Participations, Other Lending Arrangements, and Sharing of Loan Servicing[4]

MDIs can collaborate with other MDIs or non-MDIs through loan participations. This collaboration or partnership allows for larger loan transactions, originated either by the MDI or the other participating non-MDIs. In addition, this collaboration can allow for the MDIs to access special resources and unique skill sets of other financial institutions. Further, these transactions can provide opportunities for diversifying the loan portfolio, enhancing liquidity and interest rate risk management, and serving the credit needs of a wider range of customers.

MDIs may form a partnership, such as through a lending consortium, or form a Community Development Financial Institution (CDFI)[5], a loan fund, or other entity that provides mortgages to members of the MDIs' communities. In some circumstances, a group of financial institutions may be allowed to acquire interests in a special purpose entity (SPE), such as a limited liability corporation, established specifically to manage and dispose of troubled loans or other real estate owned. Each financial institution is a member/owner of the SPE, holding an interest equivalent to the value of the assets it conveyed to the SPE. They also retain control over the assets and maintain the same level of risk as before the exchange. However, by pooling troubled assets, such SPEs may reduce maintenance costs through economies of scale and make bulk sales of troubled assets more feasible.

Sharing of Bank Staff and Other Resources[6]

Several larger financial institutions have forged partnerships with smaller MDIs so that automated teller machine fees are waived for customers of the MDI, thereby increasing access to the MDI customers' funds. Other collaborations may include the sharing of specialized staff members, teams, or consultants to assist with back-office operations requiring special skill sets, such as internal audit, asset valuations, or managing problem assets.

[4]See FDIC FIL-44-2008, Guidance for Managing Third-Party Risk (June 6, 2008), available at *https://fdic.gov/news/news/financial/2008/fil08044.html*; FDIC FIL-49-2015, Advisory on Effective Risk Management Practices for Purchased Loans and Purchased Loan Participations (November 6, 2015), available at *https://www.fdic.gov/news/news/financial/2015/fil15049.html*; and refer to the FDIC website "Regulatory Guidance: Risk Management Supervision Outsourcing and Third-Party Providers (Vendor Management)" at *https://www.fdic.gov/regulations/resources/director/risk/it-tpp.html*.

[5]A CDFI is an institution that provides credit and financial services to underserved markets and populations. CDFIs can be banks, credit unions, loan funds, microloan funds, or venture capital providers.

[6]Ibid.

Information Networking

Trade associations that focus on unbanked and under-banked consumers provide training and information on the availability of MDI investment opportunities. MDIs participate in these types of trade organizations, which provide a forum for their members to exchange ideas, address issues of common concern, enhance understanding and compliance with new regulations, promote community outreach, and educate investors of opportunities.

Benefits of Community Banks Partnering With MDIs

Community banks in particular can benefit from partnerships with MDIs for strategic business purposes, including the ability to:

» Serve bank customers that neither institution could serve alone;
» Reduce operating and compliance costs by sharing back-office operations and specialized expertise; and
» Jointly purchase goods and services at reduced costs.

By collaborating with each other or with non-MDI banks, institutions may be able to achieve a variety of benefits, including increasing the ability to acquire and support current technology, conserving capital for other strategic business opportunities, and, more generally, improving the quality and reducing the costs of products and services.

Opportunities for CRA Consideration

In general, all financial institutions will receive consideration for activities that benefit geographies or individuals located within their geographically designated assessment area(s), or somewhere within a broader statewide or regional area that includes the institution's assessment area(s) even if they will not benefit the institution's assessment area(s), as long as the institution has been responsive to community development needs and opportunities in its assessment area(s). This is available whether partnering with an MDI or not, and is also available to partnerships between MDIs. If a non-minority owned institution wishes to reach beyond these geographic restrictions, additional CRA-eligible opportunities exist when financial institutions partner with minority or women-owned financial institutions or low-income credit unions (MWLI).[7] The activities do not need to benefit the non-minority owned financial institution's assessment area(s); however, they must help meet the credit needs of the local communities in which the MWLI is chartered.

Examples of activities with MWLIs that may receive consideration when financial institutions reach beyond the normal geographic restrictions listed above are:

» Making a deposit or capital investment in the MWLI;
» Purchasing or selling a participation in a loan in the MWLI's market area;

[7]The CRA statute and regulation uses the phrase "minority- or women-owned financial institutions and low-income credit unions." 12 U.S.C. 2903(b); 12 CFR 345.21(f).

[8]"Community Reinvestment Act; Interagency Questions and Answers Regarding Community Reinvestment" (Questions and Answers), 81 Fed. Reg. 48506, 48535-36, Q&A__.21(f)-1 (July 25, 2016).

» Loaning an officer or providing other technical expertise to help an MWLI improve its lending policies and practices; and
» Providing free or discounted data processing systems or office facilities to help an MWLI serve its customers.[8]

Further, the CRA statute specifically provides that the regulators can consider in any CRA evaluation the amount of a contribution, or loss incurred, by any financial institution that donates, sells on favorable terms, or makes available on a rent-free basis to any MDI one of its branches located in a predominantly minority neighborhood.[9] In this case, the statute refers to "minority depository institutions," but the definition is narrower than the definitions generally used by the banking regulators. To be considered a minority depository institution for purposes of this provision, more than 50 percent of the ownership or control of the institution must be held by one or more minority individuals and more than 50 percent of the net profit or loss must accrue to one or more minority individuals.

Community Development Lending

Financial institutions may receive CRA consideration for loans made directly to an MWLI that primarily lends or facilitates lending to promote community development.[10] Additionally, they may also receive CRA consideration by purchasing a participation in a community development loan made by an MWLI. Loan participations can allow financial institutions to originate larger loans because other banks agree to purchase participations in these loan transactions. Alternatively, an MWLI could receive CRA consideration for purchasing a participation in a larger community development loan made by another institution, if they lack the size or expertise to originate such a loan. Geographic restrictions discussed earlier would apply in both scenarios.

Investments in MWLIs

Consideration is also given for "qualified investments" in an MWLI that has a primary purpose of community development, provided geographic requirements are met.[11]

In addition, consideration is given when providing grants that allow MWLIs to undertake community development activities, such as financial counseling or financial literacy training targeted to LMI individuals.

Community Development Services Provided to MWLIs

Financial institutions may receive CRA consideration for providing technical assistance or other community development services to MWLIs that have a primary purpose of community development and meet the geographic restrictions discussed above.

[9]Refer to 12 USC §2907(a).

[10]See Questions and Answers, 81 Fed. Reg. 48528- 29, Q&A __.12(h) – 1.

[11]See Questions and Answers, 81 Fed. Reg. 48532- 33, Q&A __.12(t) – 4. Any investment by a bank must comply with all relevant laws related to such investments.

[12]See Questions and Answers, 81 Fed. Reg. 48530- 31, Q&A __.12(i) – 3.

Examples of community development services include:

- Helping with marketing financial services, including development of advertising or promotions, publications, or workshops;
- Furnishing financial services training for staff and management; and
- Contributing accounting or bookkeeping services.[12]

A financial institution also could receive consideration for donating staff and support to an MWLI to enable the institution to provide community development services. Such services include "credit counseling, home buyer and home maintenance counseling, financial planning, or other financial services education to promote community development and affordable housing, including credit counseling to assist low- or moderate-income borrowers in avoiding foreclosure on their homes."[13]

Finding MDI Partners for Collaboration

In keeping with the spirit of Section 308 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), the FDIC maintains close communication with MDIs regarding MDI programs and initiatives. As such, the FDIC is aware of potential collaboration opportunities with MDIs and can provide options for exploring a collaborative relationship.

Additionally, the FDIC can assist in vetting collaboration proposals for which institutions desire to obtain CRA credit. Institutions interested in pursuing collaborative relationships with MDIs may contact the National MDI Director, Regional Directors, Regional MDI Coordinators, or Regional Community Affairs Specialists.

A listing of Regional MDI Coordinators may be found at: *https://www.fdic.gov/regulations/resources/minority/contact.html*

A listing of Regional Community Affairs contacts may be found at: *https://www.fdic.gov/consumers/community/offices.html*

Institutions may also pursue such collaboration opportunities directly. A listing of MDIs may be found at:*https://www.fdic.gov/regulations/resources/minority/mdi.html*

[13]Ibid.

Attachment 4

LARGE BANK ROUNDTABLE COLLABORATION INVENTORY

Bank Name	
Street Address	
City/State/Zip Code	
Contacts	
Name	
Title	
Phone Number	
Email	
Name	
Title	
Phone Number	
Email	

LARGE BANK ROUNDTABLE COLLABORATION INVENTORY

Financial Support

Financial institutions may receive Community Reinvestment Act (CRA) consideration for "qualified investments" in minority- or women-owned financial institutions or low-income credit unions (MWLI) that have a primary purpose of community development. "Qualified investment" means a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. Refer to *Financial Institution Letter (FIL) 64-2017: Resource Guide for Collaboration with Minority Depository Institutions* for additional information and for any geographic requirements.

Collaboration/Partnership Opportunities	Additional Detail	Request	Can Provide	Contact Point
Financial Support				
Capital Investment				
Deposit Accounts / Deposit Support				
Access to Government Deposits				
Other				

Attachment 4: LARGE BANK ROUNDTABLE COLLABORATION INVENTORY

LARGE BANK ROUNDTABLE COLLABORATION INVENTORY

Lending Opportunities

Financial institutions may receive CRA consideration for loans made directly to an MWLI that primarily lends or facilitates lending to promote community development, and for purchases of participations in community development loans made by an MWLI. An MWLI could receive CRA consideration for purchasing a participation in a larger community development loan made by another institution, if they lack the size or expertise to originate such a loan. Refer to *FIL 64-2017: Resource Guide for Collaboration with Minority Depository Institutions* for additional information and for any geographic requirements.

Collaboration/Partnership Opportunities	Additional Detail	Request	Can Provide	Contact Point
Lending Opportunities	*(specify loan type below)*			
Loan Participations:				
As Seller				
As Purchaser				
Loan Sales:				
As Seller				
As Purchaser				
Other				

Attachment 4: LARGE BANK ROUNDTABLE COLLABORATION INVENTORY

Preservation and Promotion of Minority Depository Institutions

The Federal Deposit Insurance Corporation Report to Congress for 2019

LARGE BANK ROUNDTABLE COLLABORATION INVENTORY

Service Opportunities

Financial institutions may receive CRA consideration for providing technical assistance related to the provision of financial services or other community development services to MWLIs that have a primary purpose of community development. Examples of community development services include: helping with marketing financial services, including development of advertising or promotions, publications, or workshops; furnishing financial services training for staff and management; and contributing accounting or bookkeeping services. A financial institution also could receive consideration for donating staff and support to an MWLI to enable the institution to provide community development services. Refer to FIL 64-2017: Resource Guide for Collaboration with Minority Depository Institutions for additional information and for any geographic requirements.

Collaboration/Partnership Opportunities	Additional Detail	Request	Can Provide	Contact Point
Product Development / Delivery /Support				
Mortgage Loan Origination, Servicing, or Support				
Specialty Lending Activities (e.g., SBA)				
CRA Program Development				
New Product Development Collaboration				
ATM Access				
Credit Card Program Collaboration				
Product Marketing Support				
Other				

Attachment 4: LARGE BANK ROUNDTABLE COLLABORATION INVENTORY

Preservation and Promotion of Minority Depository Institutions

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LARGE BANK ROUNDTABLE COLLABORATION INVENTORY

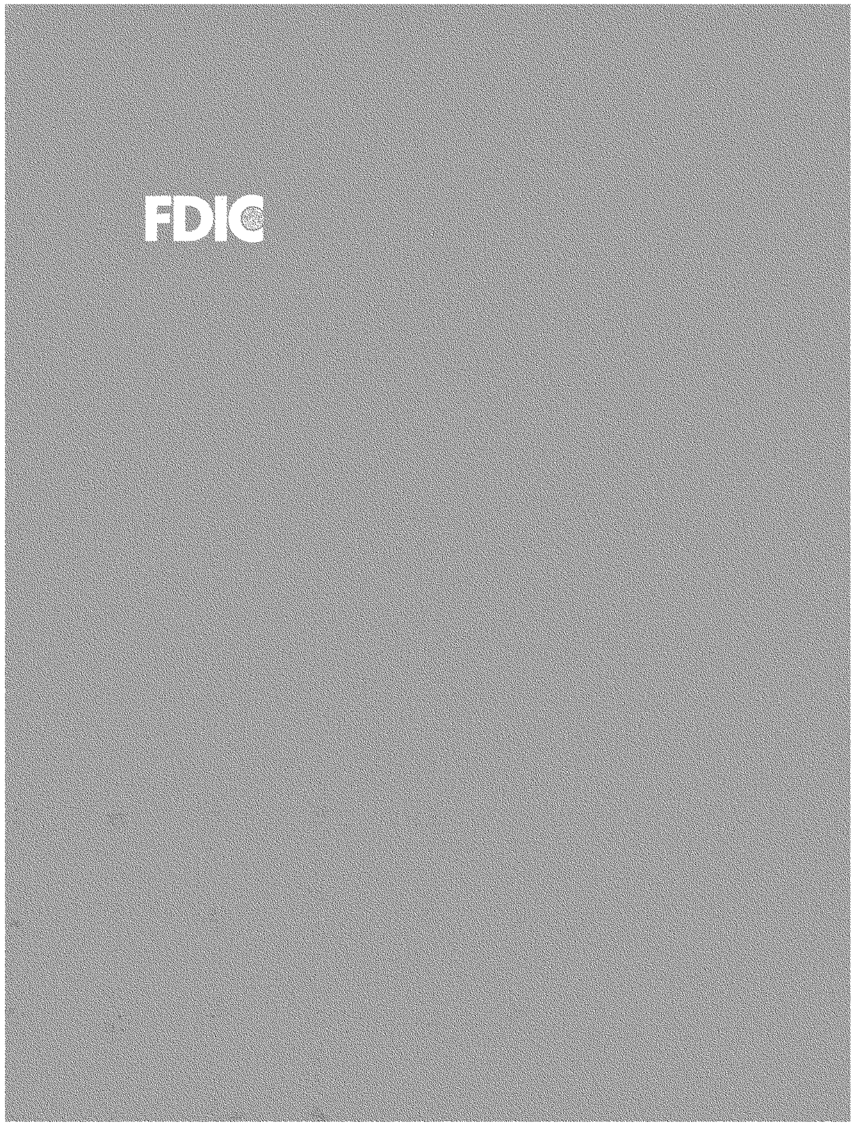
Collaboration/Partnership Opportunities	Additional Detail	Request	Can Provide	Contact Point
Technical Assistance				
BSA/AML				
Consumer Compliance				
Information Technology				
CyberSecurity				
Loan Portfolio Hedging				
Treasury Management				
Other				
Collaboration/Partnership Opportunities	Additional Detail	Request	Can Provide	Contact Point
Human Capital Support				
Providing Board Members				
Executives on Loan to MDI				
Mentorship in Specific Areas				
Other				
Collaboration/Partnership Opportunities	Additional Detail	Request	Can Provide	Contact Point
Training Collaboration				
Training Curriculum Development				
Invite to Larger Bank Training Initiatives				
Discounted Access to Industry Sponsored Training				
Training Scholarships				
Sponsor Symposium				
Other				

Attachment 4: LARGE BANK ROUNDTABLE COLLABORATION INVENTORY

LARGE BANK ROUNDTABLE COLLABORATION INVENTORY

Collaboration/Partnership Opportunities	Additional Detail	Request	Can Provide	Contact Point
Shared Services				
Compliance Systems / Controls				
Payroll Processing				
Data Processing				
Volume Purchase of Equipment or Supplies				
Interest Rate Risk / Economic Capital / Investment Account Modeling / Analytics				
Trust / Wealth Management Support				
Fraud Detection Services				
Third Party Vendor Assessment				
Model Validation (BSA/AML SA Model, IRR, etc.)				
Assessing Consumer Behavior through Technology				
Collaboration/Partnership Opportunities	Additional Detail	Request	Can Provide	Contact Point
Other Opportunities				

Attachment 4: LARGE BANK ROUNDTABLE COLLABORATION INVENTORY


FDIC

Preserving Minority Depository Institutions

May 2020

Board of Governors of the Federal Reserve System

Preserving Minority Depository Institutions

May 2020

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Preface: Implementing the Dodd-Frank Act

The Board of Governors of the Federal Reserve System (Board) is responsible for implementing numerous provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), including mandates to preserve and promote Minority Depository Institutions (MDIs). The Dodd-Frank Act requires, among other things, that the Board produce reports to Congress on a number of topics.

The Board maintains a Regulatory Reform website, which provides an overview of regulatory reform efforts implementing the Dodd-Frank Act and a list of the implementation initiatives completed by the Board as well as the most significant initiatives the Board expects to address in the future.[1]

[1] Board of Governors of the Federal Reserve System, "About Regulatory Reform," https://www.federalreserve.gov/regreform/about.htm;"Implementing the Dodd-Frank Act: The Federal Reserve Board's Role," https://www.federalreserve.gov/regreform/milestones.htm.

Contents

Abbreviations

BSA/AML	Bank Secrecy Act/Anti-Money Laundering
CDFI	Community Development Financial Institution
CRA	Community Reinvestment Act
FIRREA	Financial Institutions Reform, Recovery, and Enforcement Act of 1989
FRB	Federal Reserve Bank
LMI	Low- and moderate-income
MDI	Minority depository institution
NBA	National Bankers Association
PFP	Partnership for Progress

Executive Summary

The Board submits this report pursuant to section 367 of the Dodd-Frank Act. Section 367 of the Dodd-Frank Act requires the Board to submit an annual report to the Congress detailing the actions taken to fulfill the requirements outlined in section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989, as amended by the Dodd-Frank Act in 2010 (see appendix A). In addition to the annual reporting requirement, FIRREA section 308 requires the Federal Reserve System (System) to devote efforts toward preserving minority ownership of minority depository institutions (MDIs).

In 2019, the House Financial Services Committee held two hearings on MDIs, one of which included a panel of regulators, including the Federal Reserve.[2] Art Lindo, deputy director of the Division of Supervision and Regulation, testified about the Federal Reserve's commitment to and efforts to assist MDIs.[3] The Federal Reserve recognizes that there is more to be done, especially as it relates to the decline in African American owned banks. This report details programing and outreach from 2019 and includes a preview of efforts underway in 2020.

The System's Partnership for Progress (PFP) program was established in 2008 because Federal Reserve leadership recognized the importance of MDIs and wanted to independently take steps to preserve and promote these institutions. Leadership at the Federal Reserve supports an inclusive financial system and understands the challenges inherent in providing access to credit and other financial services in traditionally underserved areas. As such, the Federal Reserve remains strongly committed to identifying and implementing all opportunities to support MDIs.

Throughout 2019, the System supervised 15 MDIs with combined assets of over $101 billion.[4] This represents approximately 2 percent of the 754 community and regional banks in the System's community and regional banking organizations portfolios. To support these institutions and to accomplish the broader minority depository-related FIRREA goals, the Federal Reserve leadership continues to dedicate resources to engage in proactive outreach and technical assistance activities. Throughout 2019, staff from the Board and PFP-dedicated staff from each of the 12 Federal Reserve Banks (FRBs) engaged in activities to support MDIs. Highlights of those activities included

- planning and executing the 2019 Interagency MDI and CDFI Bank conference, in collaboration with the Federal Deposit Insurance Corporation (FDIC) and Office of the Comptroller of the Currency (OCC);
- co-sponsoring Banking and the Economy: A Forum for Minorities in Banking, which was held at the Federal Reserve Bank of St. Louis;
- participating and hosting an exhibit table at the National Bankers Association (NBA) 72nd Annual Convention in Washington, D.C.;
- partnering with the FDIC for a MDI collaboration roundtable held November 7, 2019, in Chicago, Illinois;
- commissioning two research papers to understand the challenges and opportunities faced by the MDI industry;
- providing technical assistance to MDIs on a wide variety of topics, including improving regulatory

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2 "An Examination of Regulators' Efforts to Preserve and Promote Minority Depository Institutions," Subcommittee on Consumer Protection and Financial Institutions, November 20, 2019, https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=404651.

3 Arthur Lindo, "Minority Depository Institutions" (testimony before the House Financial Services Subcommittee on Consumer Protection and Financial Institutions, U.S. House of Representatives, Washington, D.C., November 20, 2019), https://www.federalreserve.gov/newsevents/testimony/lindo20191120a.htm.

4 This was an increase of one institution from year-end 2018 due to a charter change in the first quarter of 2019.

ratings, navigating the regulatory applications process, complying with the Bank Secrecy Act (BSA), understanding changes to the Community Reinvestment Act (CRA), and refining capital-planning practices;

- maintaining a website that provides a full menu of banking resources—including regulatory guidance—relevant to MDIs;[5] and
- coordinating with the Board's CRA Policy team to represent the interests of MDIs in the CRA regulatory modernization process.

[5] For details on the Partnership for Progress program and the range of available resources, see https://www.fedpartnership.gov.

State Member MDIs

Throughout all of 2019, the System retained primary supervisory responsibility for 15 state member MDIs,[6] which, with few exceptions, are community banks,[7] have total assets of $10 billion or less (see table 1). (For more details on the 15 state member MDIs discussed in this report as well as a comparison of the number, assets, and demographics of state member MDIs from 2015–19, see appendix B.) Accordingly, the System's community banking organizations program,[8] which is responsible for the risk-focused supervision of state member banks with less than $10 billion in total assets, maintains supervisory responsibility for the System's portfolio of MDIs.

Geographic Dispersion

In 2019, state member MDIs were located in 7 of the 12 Reserve Bank Districts, with assets concentrated in the New York and San Francisco Districts (see table 2).[9] State member MDIs in these two Districts accounted for 98 percent of the total state member bank assets domiciled in the System's MDI portfolio. Though smaller in asset size, there is also a concentration of state member MDIs in the Kansas City District. All four of these banks are located in Oklahoma and are Native American MDIs.

Table 1. Asset distribution of state member MDIs

Asset size	Number of banks	Percentage of total
$250 million or less	7	47
$251 million to $500 million	2	13
Over $500 million to $1 billion	1	7
Over $1 billion to $10 billion	2	13
Greater than $10 billion	3	20
Total	**15**	**100**

Table 2. State member MDI distribution

Reserve Bank District	Number of MDIs	Total assets ($'000)	Percentage of total assets
Atlanta	1	418,130	0.41
Chicago	2	435,028	0.43
Dallas	1	236,063	0.23
Kansas City	4	683,226	0.67
New York	2	51,682,910	50.86
Philadelphia	1	238,451	0.23
San Francisco	4	47,928,578	47.16
Total	**15**	**101,622,386**	**100.00**

Minority Ownership Type

The System's MDI portfolio includes banks representing all minority ownership categories as defined by FIRREA. Consistent with national demographics for all MDIs, as of year-end 2019, most state member MDIs were under Asian American ownership, followed by Native American ownership (figure 1).

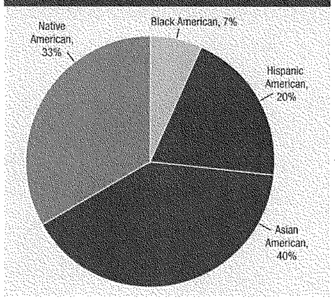
[6] The term *state member* refers to state-chartered banks that are members of the Federal Reserve System.

[7] For supervisory purposes, community banks are generally defined as those with less than $10 billion in total consolidated assets.

[8] Comprising staff in the divisions of Supervision and Regulation and Consumer and Community Affairs.

[9] Reserve Banks for the 12 Districts are headquartered in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco.

Figure 1. State member MDIs by minority type



Partnership for Progress Programming

The System supports MDIs primarily through its PFP program, a national outreach effort to help MDIs confront unique business-model challenges, cultivate safe banking practices, and compete more effectively in the marketplace. The program is jointly managed by the Community Banking Organizations section of the Supervision and Regulation Division and the Community Development section of the Consumer and Community Affairs Division. Supervision and Regulation strives for a resilient and well-managed financial system that fairly meets the needs of consumers and businesses while working to tailor its supervisory programs in a way that avoids imposing excessive burden on the financial institutions it oversees. The CD function within the System—consisting of individual community development departments at each of the 12 FRBs and at the Board—promotes economic growth and financial stability for lower-income communities and individuals through a range of activities, including convening stakeholders, conducting and sharing research, and identifying emerging issues.

The two divisions share in the staffing of the PFP program and have appointed senior officers from both divisions to co-chair the program's Executive Oversight Committee. In addition, each FRB has designated a PFP District coordinator(s) who communicates regularly with the MDIs in their District and assists with accomplishing the mission of the PFP program. The 2019 PFP programming reflected the strengths of both divisions and emphasized coordination between the two functions in the Reserve Bank Districts. The System also worked to encourage partnership between examination and community development staff at the FRBs to bring additional resources and creative programming to MDIs throughout the country. PFP provides technical assistance and outreach to the System's regulated MDIs but also views the congressional mandate in section 308 of the FIRREA to preserve and promote MDIs as more than simply supervising these institutions. In this regard, the Board actively works with colleagues at the other regulatory agencies with section 308 responsibilities to ensure a coordinated approach to supporting all MDIs.

The PFP program is centered on three main objectives:

1. **Connection:** Facilitate relationship building, engage industry stakeholders, and develop relationships to support the preservation and creation of MDIs.
2. **Capacity Building:** Provide organizational development and technical assistance to MDIs through Federal Reserve resources and in collaboration with the FDIC and OCC.
3. **Research and Thought Leadership:** Produce high-quality research discussion papers that enhance our understanding of the business models of MDIs and how they serve their communities.

In addition, the Board is able to leverage the many resources available to the central bank of the United States to support MDIs consistent with the goals of the PFP program. First, the Federal Reserve is a research-driven institution and, as described above, has engaged with internal and external stakeholders on a range of research to enhance our understanding of the business models of MDIs and how they serve their communities. Second, Federal Reserve leadership, including Board Members and Reserve Bank presidents, have spoken publically about the importance and positive impact of MDIs on underserved communities.[10] Third, through the convening power of the Federal Reserve, the System seeks to bring

[10] For example, in September 2019, Federal Reserve Bank of St. Louis President Bullard spoke about PFP and the importance of MDIs at the Forum for Minorities in Banking, https://www.stlouisfed.org/from-the-president/speeches-and-presentations/2019/welcoming-remarks-forum-for-minorities-in-banking.
Additionally, in June 2019, Federal Reserve Board Governor Bowman spoke about the Federal Reserve's support for MDIs at the Interagency MDI conference in Washington, D.C., https://www.federalreserve.gov/newsevents/speech/bowman20190625a.htm.

together individuals and institutions to form partnerships that will assist the MDI sector.

Throughout 2019, the Federal Reserve staff conducted a number of programs specific to MDIs, including the following:

- **National Interagency MDI and CDFI Bank Conference**

  Every two years, the federal banking regulatory agencies (i.e., FDIC, OCC, and Federal Reserve) host an interagency conference for MDI and CDFI banks to help preserve and promote their mission. The 2019 conference was held June 25–26, 2019, at the FDIC's Seidman Center, located in Arlington, Virginia.

  The theme for the conference was "Focus on the Future: Prospering in a Changing Industry," and senior federal officials and MDI and CDFI bank executives were invited to participate. The conference began with opening remarks from each agency: Board Governor Michelle Bowman, FDIC Chairman Jelena McWilliams, and OCC Senior Deputy Comptroller Grovetta Gardineer. Governor Bowman's remarks focused on our PFP program and reaffirmed the Federal Reserve's commitment to preserving and promoting MDIs.

  The conference encouraged interactive discussion, provided a valuable networking opportunity, and set the stage for further discussions on the importance of MDIs and CDFIs to the communities they serve. More than 200 people attended the conference with participants from 70 banks.

  The conference covered a diverse range of topics that included

  - updates from senior officials from federal regulatory agencies on trending topics including resources, programs, and policies that can help minority and CDFI banks achieve goals;
  - bank CEOs "telling their story," communicating their strategies and successes, and making recommendations to the industry, federal policy makers, and others;
  - timely workshops that included topics such as cybersecurity, research, and succession management;
  - discussions on innovation, collaboration, and the evolving financial services landscape with examples of successful responses by community and midsize banks; and
  - presentations on the newly designated Opportunity Zones in low-income communities and research relevant to the MDI and CDFI industry.

- **Banking and the Economy: A Forum for Minorities in Banking**

  The fourth annual Forum for Minorities in Banking sponsored by the Board, along with Federal Reserve Banks of Atlanta, Chicago, Dallas, Kansas City, Minneapolis, Philadelphia, Richmond, San Francisco, and St. Louis, was held September 26–27, 2019, at the Federal Reserve Bank of St. Louis. This forum is designed to provide senior-level or high-potential middle management minority bank leaders with industry, leadership, and professional development knowledge that will enhance their careers and networks.

  The forum began with remarks by Federal Reserve Bank of St. Louis President Bullard, in which he discussed the history of MDIs and the important role they play in their communities. Additionally, the forum featured insights from leaders across the System and the financial services industry on topics including cybersecurity, leadership development, cultural intelligence, and more. Forum sessions included discussions on banking trends, effective leadership, and the economic outlook for banks nationwide. All MDI banks were encouraged to attend, and several sent representatives to the conference. Planning is underway for the next forum, which will be held in September 2020 in Atlanta, GA.

- **MDI Roundtable**

  In November, the Federal Reserve partnered with the FDIC for a collaboration roundtable that brought together MDIs and larger institutions. During this meeting, MDI leaders and bank leaders had the opportunity to discuss potential mutually beneficial partnership opportunities.

  The purpose of this roundtable was to highlight the business and regulatory benefits of partnerships with MDIs. For example, Congress recognized MDIs in the original CRA statute and included special consideration for MDIs, women-owned financial institutions, and low-income credit unions (collectively, MWLIs). Specifically, majority institutions may receive CRA credit for capital investment, loan participation, training, technical assistance, and other ventures undertaken by the bank in collaboration with MWLIs. Majority banks can also get credit for donating or selling on favorable terms a branch located in a predominately minority neighborhood to an MDI or women-owned depository institution. Such activities must help meet the credit needs of local communities in which the minority- and women-owned credit unions are chartered. However, unique to CRA, such activities need not also benefit the bank's assessment area(s) or the broader statewide or regional area that includes the bank's assessment area(s).

PFP is working with the FDIC to capitalize on this unique CRA treatment and bring more MDIs and large regional banks together to discuss CRA-eligible partnership and investment opportunities. Planning is underway to continue and increase this effort in 2020.

Collaboration with Trade Groups and Other Partners

PFP also participated as subject matter experts at the following conferences that were related to MDI topics:

- In October, Board and Reserve Bank staff represented PFP at the 92nd annual National Bankers Association (NBA) conference in Washington, D.C. The NBA is a trade organization for minority- and women-owned financial institutions that serves as an advocate for the nation's MDIs on legislative and regulatory matters concerning and affecting its members and the communities they serve. The NBA also offers a number of services, including lobbying services, vendor financing, cash-management services, and corporate trust accounts, among others. PFP participated on a panel on the Volcker rule[11] and hosted an exhibit booth at the conference.
- In May, representatives from PFP spoke with senior CRA examiners at their senior forum to raise the profile of MDIs, the PFP program, and discuss how CRA examiners can consider the unique missions of MDIs in the examination process.
- In March, PFP hosted an information booth at the Community Bank Examiner Forum, which provided an opportunity to meet one on one with safety and soundness examiners from across the Federal Reserve System and share information about PFP and MDIs.

[11] The Volcker rule is found in section 619 of the Dodd-Frank Act. The rule generally prohibits banking entities from engaging in proprietary trading or investing in or sponsoring hedge funds or private equity funds. See "Volcker Rule," Board of Governors of the Federal Reserve, last update January 30, 2020, https://www.federalreserve.gov/supervisionreg/volcker-rule.htm.

Research on MDIs and Low- and Moderate-Income Communities

Continuing with the Federal Reserve's commitment to understanding the challenges minority banking institutions face and their local market areas, in 2018 the Board commissioned two new pieces of research on MDIs.[12] This research was completed in 2019 and presented at the Interagency MDI and CDFI Bank Conference in Arlington, VA, in June 2019. All research is available on the PFP website.[13] Below are abstracts of the papers:

Minority Depository Institutions: Evolving Financial Technologies and the Challenge of Governance
By Jesus Hernandez, JCH Research; Gary A. Dymski, University of Leeds; and Melody Chiong, University of California San Diego

Minority Depository Institutions (MDI) came into being to create pathways for economic development in racially segregated neighborhoods. The effectiveness of MDIs in accomplishing this shared mission is acutely sensitive to three factors: the economic circumstances of the racial/ethnic community they serve; the structure of governance – both the public policies that directly govern MDIs, and also the overall pattern of urban governance, including macroeconomic policy stance and targeted public investment/tax programs; and third, the evolution of financial technologies. Together, these factors shape the strategic options that MDIs have for transformative practice in the communities they serve. This study examines how the intersection of historical unfolding of inequality, governance structures, and financial technologies have shaped the "logic of reinvestment" (Chiong, Dymski, and Hernandez 2018) of MDIs through a case study of Los Angeles County.

We first examine the trajectory of mortgage lending in Los Angeles, as revealed by HMDA data in the time period 1981 to 2007. Second, we implement an analysis of the legal requirements and socio-economic impacts of different federal and state lending programs linked to housing development. Third, we summarize data on MDIs in Los Angeles County from 1994 to 2018 to understand the growth of active MDIs over this period and their capacity to serve their communities. These research elements permit us to develop an innovative approach to the interlinkages of lending technologies and the role of federal and other levels of governance in shaping market and policy opportunities.

Is the Community Reinvestment Act Effective for Indian Country?
By Joanie Buckley, Oneida Nation Tribal Member and Russell Kashian, University of Wisconsin–Whitewater

The Community Reinvestment Act (CRA) is a U.S. law designed to encourage commercial banks to help meet the needs of borrowers in all segments of their communities, including low- and moderate-income neighborhoods (LMIs). Presidents of various Native American owned banks were interviewed, and one overarching comment surfaced: the law does not recognize the contribution of Native American banks to underserved Native Americans because many of these prospective borrowers live in rural areas outside of what are labelled "assessment areas" under the CRA. In effect, the limitations imposed by the assessment area component of the CRA punishes these banks and discourages them from acting on the underlying intent of the CRA to provide access to credit for their population – Native Americans. Furthermore,

[12] Full research papers can be found at https://www.fedpartnership.gov/federal-reserve-resources.

[13] "Partnership for Progress," Board of Governors of the Federal Reserve, https://www.fedpartnership.gov.

this requirement conflicts with the core foundation of and support by the Federal Deposit Insurance Corporation (FDIC) in promoting Minority Depository Institutions (MDIs) and their vital role in the financial system and to their communities.

If indeed the contribution of Native American Banks, as MDIs, provides an important mission in credit lending to their population, where the majority remain underserved, then consideration needs to be given to their outreach efforts to Native Americans, rather than activities within their CRA assessment area. We propose to measure their contribution through quantitative data on CRA ratings, and three case studies with qualitative data are provided to endorse the notion of expanding the CRA assessment area. Having a designation for CRA evaluation that can include the contributions of MDI Native American banks beyond their assessment area, to serve their population and to promote partnerships between MDIs and larger banks for investment into Indian Country, may further open up lending for those rural areas which remain underserved, specifically within reservations. This unique program directly connects these banks to their communities, throughout Indian Country, wherever they may live; and promotes the intent of MDIs and CRA to create economic investments in LMIs.

In mid-2019, the Board also commissioned a new piece of MDI research, which will be delivered in mid-2020. Gregory B. Fairchild from the University of Virginia will author a study titled "Just How Risky? Comparative Institutional Risks of Minority Depository Institutions (MDIs) and Community Development Financial Institutions (CDFIs)." This study will be presented to MDI leaders during a webinar in mid-2020.

In June 2019, as part of its initiative to gain a broader understanding of the banking sector, the Federal Reserve Bank of Kansas City released a book on the history of the first African American banks in the United States. The book is titled *Let Us Put Our Money Together: The Founding of America's First Black Banks* and is written by Tim Todd.[14] Efforts to establish African American banks began before the Civil War. The book is intended to be a resource for educators, historians, financial journalists, banks and more. *Let Us Put Our Money Together* details the nation's first black bankers in the 1800s, their challenges, innovation, and resilience. Three banks are prominently featured, the True Reformers Bank (Virginia), Capital Savings Bank (Washington, D.C.), and the Alabama Penny Savings Bank (Alabama). The book's title is inspired by Maggie Lena Walker, the first black female bank president in the U.S., who said, "Let us put our moneys together. Let us use our moneys; let us put our moneys out at usury among ourselves and reap the benefit ourselves. Let us have a bank that will take the nickels and turn them into dollars." A complimentary hardcopy can be ordered via the Kansas City Fed website. The book summary and a free e-book is also available online.

In addition, throughout 2019, FRB staff published articles and surveys that both evaluated conditions in low- and moderate-income (LMI) communities and described efforts to support them, including by community banks. Much of this research came out of the community development function at the Board and Reserve Banks. Because the success of MDIs is often dependent on the health of the communities they serve, these articles are particularly relevant to the MDI business model. In addition, several of these articles noted the difficulty minority and LMI populations have accessing credit from mainstream financial institutions. These articles intend to provide service providers, policymakers, and others with a way to assess the needs of these communities and to evaluate changes in the economic conditions of these populations.

The following list highlights some of the articles and surveys published during 2019:

- *Perspectives from Main Street: Bank Branch Access in Rural Communities:*[15] This report examines how rural consumers and small businesses use bank branches and how their communities have been affected by branch closures. Of the counties analyzed in the report, more than half lost bank branches between 2012 and 2017, with some predominantly rural counties experiencing considerable declines. The deeply affected rural counties

[14] Tim Todd, *Let Us Put Our Money Together: The Founding of America's First Black Banks* (Kansas City: The Federal Reserve Bank of Kansas City, 2019).

[15] Board of Governors of the Federal Reserve System, *Perspectives from Main Street: Bank Branch Access in Rural Communities* (Washington: Board of Governors, November 2019), https://www.federalreserve.gov/publications/files/bank-branch-access-in-rural-communities.pdf.

tended to be less economically well off and have residents with lower levels of education. They also had a greater proportion of minority residents relative to other rural counties. Much of the information in the report was gathered at listening sessions hosted by FRBs across the country between July 2018 and January 2019. The consumers, small-business owners, and local government officials who participated in the sessions said that while they have found local or technological substitutes for many, but not all services, the alternatives are generally more costly and less convenient.

- *Perspectives from Main Street: Stakeholder Feedback on Modernizing the Community Reinvestment Act*:[16] This report is a summary of feedback received from bankers and community groups during a series of 29 roundtable discussions on the current state of, and potential revisions to, the Community Reinvestment Act (CRA). The information was gathered from CRA roundtables hosted by the Board and the FRBs held between October 2018 and January 2019. More than 400 participants shared views that will factor into the Board's consideration of any CRA modernization proposals. The Board held one roundtable discussion specifically for all Fed-regulated MDIs.
- *Low- and Moderate-Income Surveys*:[17] Several FRBs, including the Federal Reserve Bank of Kansas City, which retains a large number of state member MDIs, publish quarterly results from surveys designed to measure the economic conditions of LMI populations and the condition of organizations that serve them.
- *The Digital Divide in Indian Country*: Broadband access rates differ significantly among American Indian reservations but are, on average, low relative to national norms.[18] Tribes and tribal organizations are working to reduce this impediment to economic development on reservations.
- *Small Business Credit Survey Report on Minority-Owned Firms*: Small businesses are crucial to the nation's economy. They employ almost half of U.S. workers and are important sources of employment and wealth building, particularly for minority communities. The number of minority-owned businesses has grown rapidly in recent years, which means that their well-being and ability to access financing is increasingly important to fostering economic opportunity and broader economic growth. This report examines the state of minority-owned businesses, offering insights on their performance, access to financing, and experiences in the credit market. Some key findings include:
  - For many minority-owned businesses, key performance indicators like profitability and revenue growth lagged White-owned firms.
  - Minority-owned firms relied to a greater extent on personal funds and on personal credit scores when applying for financing than did White-owned firms.
  - Minority-owned firms' loan applications tended to have worse outcomes (not controlling for other firm characteristics) than did the applications of White-owned firms, particularly at small banks or online lenders.
  - Dissatisfaction with a lender is relatively high among Black- and Hispanic-owned firms.[19]

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[16] Board of Governors of the Federal Reserve System, *Perspectives from Main Street: Stakeholder Feedback on Modernizing the Community Reinvestment Act* (Washington: Board of Governors, June 2019), https://www.federalreserve.gov/publications/stakeholder-feedback-on-modernizing-the-community-reinvestment-act-201906.htm.

[17] For an example of an LMI survey, see the Federal Reserve Bank of Kansas City website, https://www.kansascityfed.org/research/indicatorsdata/lmieconomicconditions.

[18] "The Digital Divide in Indian Country," Center for Indian Country Development, Federal Reserve Bank of Minneapolis, January 7, 2019, https://www.minneapolisfed.org/article/2019/the-digital-divide-in-indian-country.

[19] FED Small Business, *Report on Minority-Owned Firms*, December 2019, https://www.fedsmallbusiness.org/survey/2019/report-on-minority-owned-firms.

Efforts and Initiatives

Preserving the Character and Number of MDIs

To preserve the character and number of state member MDIs, staff from the Board's mergers and acquisitions function coordinate with the FDIC to help identify healthy minority banking organizations capable of acquiring or merging with state member MDIs that are in troubled condition. To this end, PFP staff provide the FDIC with a quarterly list of all MDIs under System supervision. The Federal Reserve's mergers and acquisitions function continues to offer a pre-filing option for banking proposals, which provides critical feedback on potential issues and potentially shortens the review period for many formal proposals. Finally, whenever the Federal Reserve staff receive a proposal involving an MDI banking organization, every effort is made to ensure that the institution is preserved and that its future prospects are enhanced.

Promoting the Creation of MDIs

The Federal Reserve strives to promote the creation of new MDIs by providing guidance via public websites about regulatory procedures for minority bank ownership, informing MDIs of advantageous federally sponsored programs, and promoting community development. These web posts also provide guidance about financial institution development, including information about the process of starting a bank, managing a bank through the de novo period, and growing shareholder value while ensuring safe and sound operations. Further, District coordinators from each FRB periodically discuss emerging issues, attend conferences, serve on local exam teams during examinations, and collect feedback from MDIs on what they are seeing and how the PFP can provide additional assistance.

During 2019, PFP staff engaged with two investor groups seeking guidance on navigating the de novo process for establishing new banks with the regulatory agencies. PFP staff provided these investor groups with regulatory agency contacts and specific direction and timing for navigating the applications process. Ongoing contact was encouraged so that our staff could continue to assist with the challenges of the de novo process.

Training, Technical Assistance, and Educational Programs

District coordinators from each FRB meet regularly with MDI management to discuss emerging issues and provide technical assistance, especially to those in troubled condition, to explain supervisory guidance, discuss challenges, and respond to management concerns. Trending topics discussed throughout 2019 included IT/cybersecurity, concentrations in commercial real estate, interest-rate risk, capital planning and rules, BSA and anti-money-laundering compliance, third-party vendor management, and the CRA. The goal of these conversations is to help MDIs through technical complexities and provide the PFP with valuable insight and feedback on challenges facing MDIs. In 2019, two state member MDIs reached out to the District coordinator seeking subject matter expertise on BSA. The PFP arranged for System subject matter experts to help these MDIs understand and navigate the complexities of BSA regulation and helped them to work on correcting deficiencies within their BSA programs.

Partnership for Progress Website

Consistent with past years, one of the primary vehicles for distributing educational materials relevant to MDIs continues to be the System's PFP website.[20]

The website provides information about new regulations and their impact on community banking organizations; advertises regulatory and agency events relevant to MDIs; and shares information

focused on market conditions and economic data related to areas typically served by MDIs. To ensure continued relevance of posted material, PFP staff regularly update the website.

Additionally, in 2019, the PFP revised the MDI section of the Board's website.[21] The new version contains an updated description of the PFP program and links to quarterly MDI data and the PFP website. The new website is regularly updated by PFP staff.

Publications and Webinars

The Federal Reserve continues to support enhanced communications with community banks, including MDIs. To this end, the staff disseminates important information about regulatory matters through the publication and programs below, most of which are accessible through links on the PFP website.

The System's *Community Banking Connections®* publication[22] serves to

- clarify key supervisory guidance,
- highlight new regulations,
- provide perspectives from bank examiners and System staff, and
- address challenges and concerns facing community banks and provide resources to assist them.

The System's *Consumer Compliance Outlook®* publication[23] focuses on compliance with federal consumer protection laws and regulations for financial services and serves to

- clarify key supervisory guidance,
- explain new and existing regulatory compliance requirements,
- provide perspectives from bank examiners and System staff,
- address challenges and concerns facing community banks and provide resources to assist them, and
- discuss emerging compliance issues such as lenders' use of alternative data in credit decisions.

Outlook Live is a webinar series dedicated to consumer compliance.[24] The Outlook Live webinars involve a variety of presenters from both the System and the other federal financial regulatory agencies, focusing on key emerging issues in the industry.

Ask the Fed® is a program of the Federal Reserve for officials of state member banks, other insured depository institutions, bank and thrift holding companies, state bank commissioners, and state banking associations.[25] *Ask the Fed®* consists of periodic conference call/webinars that feature Federal Reserve experts and guest speakers on top banking questions of the day with time at the end for questions and comments.

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[20] Partnership for Progress, https://www.fedpartnership.gov.

[21] "Minority Depository Institutions," Board of Govenors of the Federal Reserve System, last updated July 19, 2019, https://www.federalreserve.gov/supervisionreg/minority-depository-institutions.htm.

[22] Community Banking Connections is a registered trademark of the Federal Reserve Bank of Philadelphia, https://www.communitybankingconnections.org.

[23] Consumer Compliance Outlook is a registered trademark of the Federal Reserve Bank of Philadelphia, https://consumercomplianceoutlook.org.

[24] The outlook live webinars can be seen at https://consumercomplianceoutlook.org/outlook-live.

[25] To register for *Ask the Fed®*, visit the site at https://bsr.stlouisfed.org/askthefed/Auth/Logon.

Appendix A: Section 308 of FIRREA

Section 308 of FIRREA, as amended by the Dodd-Frank Act, requires

1. CONSULTATION ON METHODS.—The Secretary of the Treasury shall consult with the Chairman of the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Chairman of the National Credit Union Administration, and the Chairperson of the Board of Directors of the Federal Deposit Insurance Corporation on methods for best achieving the following:
   a. Preserving the present number of minority depository institutions.
   b. Preserving their minority character in cases involving mergers or acquisition of a minority depository institution by using general preference guidelines in the following order:
      i. Same type of minority depository institution in the same city.
      ii. Same type of minority depository institution in the same State.
      iii. Same type of minority depository institution nationwide.
      iv. Any type of minority depository institution in the same city.
      v. Any type of minority depository institution in the same State.
      vi. Any type of minority depository institution nationwide.
      vii. Any other bidders.
   c. Providing technical assistance to prevent insolvency of institutions not now insolvent.
   d. Promoting and encouraging creation of new minority depository institutions.
   e. Providing for training, technical assistance, and educational programs.
2. DEFINITIONS.—For purposes of this section—
   a. MINORITY FINANCIAL INSTITUTION.—The term "minority depository institution" means any depository institution that—
      i. if a privately owned institution, 51 percent is owned by one or more socially- and economically-disadvantaged individuals;
      ii. if publicly owned, 51 percent of the stock is owned by one or more socially- and economically-disadvantaged individuals; and
      iii. in the case of a mutual institution, the majority of the board of directors, account holders, and the community which it services is predominantly minority.

MINORITY.—The term "minority" means any Black American, Native American, Hispanic American, or Asian American.[26]

In addition, section 367 of the Dodd-Frank Act amended FIRREA to require the supervisory agencies to submit an annual report to the Congress containing a description of actions taken to carry out FIRREA section 308.

[26] Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 (1989).

Appendix B: MDI Tables and Figures

Table B.1. State member MDIs

ID RSSD	Institution name	State	Reserve Bank District	Minority status	Assets ($'000)
146056	Allnations Bank	OK	Kansas City	N	43,346
2785477	Asian Bank	PA	Philadelphia	A	238,451
940311	Banco Popular de Puerto Rico	PR	New York	H	41,627,000
64552	Bank 2	OK	Kansas City	N	198,963
815754	Bank of Cherokee County	OK	Kansas City	N	118,707
777366	Bank of the Orient	CA	San Francisco	A	894,124
680130	Citizens Trust Bank	GA	Atlanta	B	418,130
3337097	CommonWealth Business Bank	CA	San Francisco	A	1,162,520
197478	East West Bank	CA	San Francisco	A	44,181,503
	First Choice Bank	CA	San Francisco	A	1,690,431
296456	Firstbank	OK	Kansas City	N	322,210
2360904	Pacific Global Bank	IL	Chicago	A	219,898
365745	Pinnacle Bank	IA	Chicago	N	215,130
2736291	Popular Bank	NY	New York	H	10,055,910
2942823	United Bank of El Paso del Norte	TX	Dallas	H	236,063
Number of Institutions:	**15**		**Total Assets**		**101,622,386**

Figure B.1. Proportion of MDIs that are state member banks, 2015–19

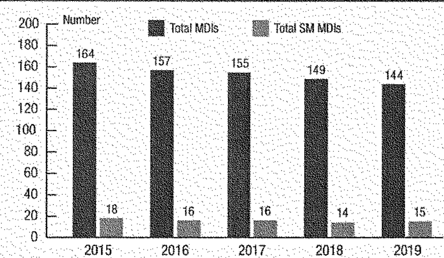


Figure B.2. Assets by type of MDI, 2015–19

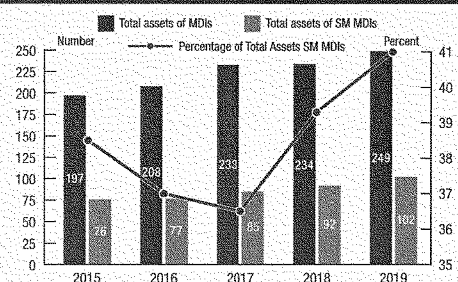
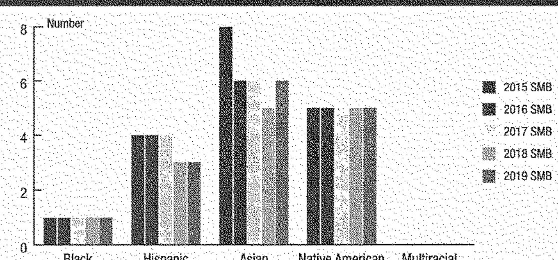


Figure B.3. Number of state member MDIs by type of minority, 2015–19



The *minority status* of an institution is determined according to either (1) a concentration of ownership among members of a certain minority group or (2) a concentration of Board membership among that minority group by an institution that primarily serves that minority group. To simplify the use of the historical data, these two criteria were combined in 2017 to arrive at a single data field that indicates one of five values for minority status. As a result, as of year-end 2017, no state member banks qualify as multiracial.

Table B.2. List of MDIs as of December 31, 2019

Name	City	State	Est. date	Class	Regulator	Minority status alpha	Total assets ($'000)
Alamerica Bank	Birmingham	AL	20000128	NM	FDIC	B	19,584
Commonwealth National Bank	Mobile	AL	19760219	N	OCC	B	49,791
American Continental Bank	City of Industry	CA	20031006	NM	FDIC	A	269,874
American Plus Bank, N.A.	Arcadia	CA	20070808	N	OCC	A	563,445
Asian Pacific National Bank	San Gabriel	CA	19900725	N	OCC	A	56,537
Bank of Hope	Los Angeles	CA	19860318	NM	FDIC	A	15,666,543
Bank of the Orient	San Francisco	CA	19710317	SM	FED	A	894,124
Bank of Whittier, National Association	Whittier	CA	19821220	N	OCC	A	73,884
Broadway Federal Bank, f.s.b.	Los Angeles	CA	19470226	SB	OCC	B	438,033
California Business Bank	Irvine	CA	20051101	NM	FDIC	A	82,608
California International Bank, N.A.	Westminster	CA	20051130	N	OCC	A	42,943
California Pacific Bank	San Francisco	CA	19801016	NM	FDIC	A	77,392
Cathay Bank	Los Angeles	CA	19620419	NM	FDIC	A	18,066,529
Commercial Bank of California	Irvine	CA	20030515	NM	FDIC	H	1,084,381
Commonwealth Business Bank	Los Angeles	CA	20050303	SM	FED	A	1,162,520
Community Commerce Bank	Claremont	CA	19761001	NM	FDIC	H	279,859
CTBC Bank Corp. (USA)	Los Angeles	CA	19650427	NM	FDIC	A	3,673,681
East West Bank	Pasadena	CA	19720101	SM	FED	A	44,181,503
Eastern International Bank	Los Angeles	CA	19850226	NM	FDIC	A	128,700
EverTrust Bank	Pasadena	CA	19950503	NM	FDIC	A	945,202
First Choice Bank	Cerritos	CA	20050818	SM	FED	A	1,690,431
First Commercial Bank (USA)	Alhambra	CA	19970520	NM	FDIC	A	692,103
First General Bank	Rowland Heights	CA	20051013	NM	FDIC	A	977,318
Gateway Bank, F.S.B.	Oakland	CA	19900608	SB	OCC	A	128,563
Hanmi Bank	Los Angeles	CA	19821215	NM	FDIC	A	5,530,677
Mega Bank	San Gabriel	CA	20080205	NM	FDIC	A	389,990
Metropolitan Bank	Oakland	CA	19830901	NM	FDIC	A	181,441
Mission National Bank	San Francisco	CA	19820216	N	OCC	A	250,037
New OMNI Bank, National Association	Alhambra	CA	19800212	N	OCC	A	460,253
Open Bank	Los Angeles	CA	20050610	NM	FDIC	A	1,179,378
Pacific Alliance Bank	Rosemead	CA	20061227	NM	FDIC	A	269,124
Pacific City Bank	Los Angeles	CA	20030918	NM	FDIC	A	1,746,302
Preferred Bank	Los Angeles	CA	19911223	NM	FDIC	A	4,630,165
Royal Business Bank	Los Angeles	CA	20081118	NM	FDIC	A	2,783,284
United Pacific Bank	City of Industry	CA	19820511	NM	FDIC	A	149,364
Universal Bank	West Covina	CA	19541117	SB	OCC	A	417,227
US Metro Bank	Garden Grove	CA	20060915	NM	FDIC	A	542,288
Native American Bank, National Association	Denver	CO	19870727	N	OCC	N	132,849
Industrial Bank	Washington	DC	19340818	NM	FDIC	B	530,840
BAC Florida Bank	Coral Gables	FL	19731012	NM	FDIC	H	2,260,033
Banesco USA	Coral Gables	FL	20060110	NM	FDIC	H	1,718,155
Central Bank	Tampa	FL	20070226	NM	FDIC	A	200,413
Executive National Bank	Miami	FL	19720607	N	OCC	H	467,405
Interamerican Bank, A FSB	Miami	FL	19760823	SB	OCC	H	201,400
International Finance Bank	Miami	FL	19831130	NM	FDIC	H	780,095
Ocean Bank	Miami	FL	19821209	NM	FDIC	H	4,314,163
Plus International Bank	Miami	FL	20010914	NM	FDIC	H	72,586
Sunstate Bank	Miami	FL	19990315	NM	FDIC	H	451,808
U. S. Century Bank	Doral	FL	20021028	NM	FDIC	H	1,312,272
Carver State Bank	Savannah	GA	19270101	NM	FDIC	B	42,345
Citizens Trust Bank	Atlanta	GA	19210618	SM	FED	B	418,130
Embassy National Bank	Lawrenceville	GA	20070305	N	OCC	A	109,617
First IC Bank	Doraville	GA	20000131	NM	FDIC	A	704,772

(continued)

Table B.2.—*continued*

Name	City	State	Est. date	Class	Regulator	Minority status alpha	Total assets ($'000)
Loyal Trust Bank	Johns Creek	GA	20191118	NM	FDIC	A	25,679
Metro City Bank	Doraville	GA	20060404	NM	FDIC	A	1,636,039
PromiseOne Bank	Duluth	GA	20081106	NM	FDIC	A	450,362
Quantum National Bank	Suwanee	GA	19951227	N	OCC	A	512,653
Touchmark National Bank	Alpharetta	GA	20080128	N	OCC	A	407,629
ANZ Guam, Inc.	Hagatna	GU	19910111	NM	FDIC	A	335,195
Bank of Guam	Hagatna	GU	19721211	NM	FDIC	A	1,944,695
BankPacific, Ltd	Hagatna	GU	19530101	SL	FDIC	A	154,562
Finance Factors, Ltd.	Honolulu	HI	19520514	NM	FDIC	A	589,208
Hawaii National Bank	Honolulu	HI	19600916	N	OCC	A	665,004
Ohana Pacific Bank	Honolulu	HI	20060601	NM	FDIC	A	183,814
Pinnacle Bank	Marshalltown	IA	19270505	SM	FED	N	215,130
American Metro Bank	Chicago	IL	19970129	NM	FDIC	A	80,451
Citizens Bank of Chatsworth	Chatsworth	IL	19340101	NM	FDIC	A	33,495
GN Bank	Chicago	IL	19340101	SB	OCC	B	137,351
International Bank of Chicago	Chicago	IL	19921026	NM	FDIC	A	677,878
Millennium Bank	Des Plaines	IL	20070702	NM	FDIC	A	153,551
Pacific Global Bank	Chicago	IL	19951109	SM	FED	A	219,898
CBW Bank	Weir	KS	18920101	NM	FDIC	A	86,916
Metro Bank	Louisville	KY	19970106	NM	FDIC	B	26,311
Liberty Bank and Trust Company	New Orleans	LA	19721116	NM	FDIC	B	601,545
Leader Bank, National Association	Arlington	MA	20020508	N	OCC	A	1,583,299
OneUnited Bank	Boston	MA	19820802	NM	FDIC	B	654,051
The Harbor Bank of Maryland	Baltimore	MD	19820913	NM	FDIC	B	311,321
First Independence Bank	Detroit	MI	19700514	NM	FDIC	B	295,951
Woodlands National Bank	Hinckley	MN	19081001	N	OCC	N	207,944
People's Bank of Seneca	Seneca	MO	19960315	NM	FDIC	N	238,507
Eagle Bank	Polson	MT	20060725	NM	FDIC	N	70,491
Lumbee Guaranty Bank	Pembroke	NC	19711222	NM	FDIC	N	343,753
Mechanics & Farmers Bank	Durham	NC	19080301	NM	FDIC	B	265,273
Turtle Mountain State Bank	Belcourt	ND	20071203	NM	FDIC	N	35,753
KEB Hana Bank USA, National Association	Fort Lee	NJ	19860916	N	OCC	A	243,086
New Millennium Bank	Fort Lee	NJ	19990719	NM	FDIC	A	389,647
Centinal Bank of Taos	Taos	NM	19690301	NM	FDIC	H	279,487
Abacus Federal Savings Bank	New York	NY	19841129	SB	OCC	A	353,374
Amerasia Bank	Flushing	NY	19880620	NM	FDIC	A	691,915
Carver Federal Savings Bank	New York	NY	19480101	SB	OCC	B	571,987
Eastbank, National Association	New York	NY	19841126	N	OCC	A	175,530
Global Bank	New York	NY	20070312	NM	FDIC	A	202,466
NewBank	Flushing	NY	20060929	NM	FDIC	A	451,432
Piermont Bank	New York	NY	20190701	NM	FDIC	A	45,298
Ponce Bank	Bronx	NY	19600331	SB	OCC	H	1,051,663
Popular Bank	New York	NY	19990102	SM	FED	H	10,055,910
Shinhan Bank America	New York	NY	19901018	NM	FDIC	A	1,627,721
United Orient Bank	New York	NY	19810409	NM	FDIC	A	82,908
AllNations Bank	Calumet	OK	19010101	SM	FED	N	43,346
Bank 2	Oklahoma City	OK	19030101	SM	FED	N	198,963
Bank of Cherokee County	Hulbert	OK	19081201	SM	FED	N	118,707
Bank of Commerce	Stilwell	OK	19030203	NM	FDIC	N	131,854
Bank of Grand Lake	Grove	OK	20050609	NM	FDIC	H	170,152
F & M Bank	Edmond	OK	19020101	NM	FDIC	N	480,916
First National Bank and Trust Company	Shawnee	OK	19841029	N	OCC	N	243,644
First Security Bank and Trust Company	Oklahoma City	OK	19510406	NM	FDIC	B	55,713
FirstBank	Antlers	OK	19010101	SM	FED	N	322,210
Gateway First Bank	Jenks	OK	19350503	NM	FDIC	N	1,498,327

(continued)

Table B.2.—*continued*

Name	City	State	Est. date	Class	Regulator	Minority status alpha	Total assets ($'000)
Oklahoma State Bank	Vinita	OK	19380713	NM	FDIC	N	154,754
Asian Bank	Philadelphia	PA	19990609	SM	FED	A	238,451
Noah Bank	Elkins Park	PA	20060717	NM	FDIC	A	390,453
United Bank of Philadelphia	Philadelphia	PA	19920323	NM	FDIC	B	49,442
Banco Popular de Puerto Rico	Hato Rey	PR	19990102	SM	FED	H	41,627,000
Banco Santander Puerto Rico	San Juan	PR	19721002	NM	FDIC	H	6,005,654
FirstBank Puerto Rico	Santurce	PR	19490117	NM	FDIC	H	12,597,360
Oriental Bank	San Juan	PR	19650325	NM	FDIC	H	9,253,736
OPTUS Bank	Columbia	SC	19990326	NM	FDIC	B	78,131
Citizens Savings Bank and Trust Company	Nashville	TN	19040104	NM	FDIC	B	97,321
Tri-State Bank of Memphis	Memphis	TN	19461216	NM	FDIC	B	85,617
American First National Bank	Houston	TX	19980518	N	OCC	A	1,904,248
Bank of South Texas	Mcallen	TX	19860708	NM	FDIC	H	137,980
Citizens State Bank	Roma	TX	19780515	NM	FDIC	H	87,941
Commerce Bank	Laredo	TX	19820331	NM	FDIC	H	508,218
Falcon International Bank	Laredo	TX	19861210	NM	FDIC	H	1,294,446
First State Bank	Shallowater	TX	19601008	NM	FDIC	A	95,194
Freedom Bank	Freer	TX	19580712	NM	FDIC	H	48,148
Golden Bank, National Association	Houston	TX	19850503	N	OCC	A	1,022,609
Greater State Bank	Mcallen	TX	19740101	NM	FDIC	H	89,273
International Bank of Commerce	Zapata	TX	19840206	NM	FDIC	H	384,273
International Bank of Commerce	Brownsville	TX	19841009	NM	FDIC	H	1,074,874
International Bank of Commerce	Laredo	TX	19660902	NM	FDIC	H	8,724,864
Lone Star National Bank	Pharr	TX	19830124	N	OCC	H	2,418,865
One World Bank	Dallas	TX	20050404	NM	FDIC	A	106,645
Rio Bank	Mcallen	TX	19850211	NM	FDIC	H	544,956
Southwestern National Bank	Houston	TX	19971103	N	OCC	A	590,447
State Bank of Texas	Dallas	TX	19871019	NM	FDIC	A	853,091
Texas National Bank	Mercedes	TX	19201126	N	OCC	H	330,035
United Bank of El Paso del Norte	El Paso	TX	20010501	SM	FED	H	236,063
Unity National Bank of Houston	Houston	TX	19850801	N	OCC	B	106,140
Wallis Bank	Wallis	TX	19721028	NM	FDIC	A	796,690
Zapata National Bank	Zapata	TX	19611116	N	OCC	H	86,614
UniBank	Lynnwood	WA	20061101	NM	FDIC	A	347,435
Bay Bank	Green Bay	WI	19950821	NM	FDIC	N	108,303
Columbia Savings and Loan Association	Milwaukee	WI	19240101	SL	FDIC	B	21,979
Total			**Count**	**144**			**248,619,176**

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National Association of Federally-Insured Credit Unions

June 2, 2020

The Honorable Gregory Meeks Chairman Subcommittee on Consumer Protection and Financial Institutions Committee on Financial Services United States House of Representatives Washington, DC 20515	The Honorable Blaine Luetkemeyer Ranking Member Subcommittee on Consumer Protection and Financial Institutions Committee on Financial Services United States House of Representatives Washington, DC 20515

Re: Tomorrow's Hearing on "Promoting Inclusive Lending During the Pandemic: CDFIs and MDIs"

Dear Chairman Meeks and Ranking Member Luetkemeyer:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) to share our thoughts ahead of tomorrow's virtual hearing entitled, "Promoting Inclusive Lending During the Pandemic: Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs)." NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 120 million consumers with personal and small business financial service products. NAFCU is extremely supportive of the Subcommittee's efforts to support and strengthen CDFIs and MDIs, and we share your view that these institutions are especially critical for underserved communities that are disproportionately impacted by the COVID-19 pandemic.

As we have shared with you before, credit unions are proud of their record of diversity and commitment to helping the portions of their communities that are most in need with high quality financial products and services. According to the National Credit Union Administration (NCUA), there are 526 federally-insured MDI credit unions that serve 3.9 million members (as of June 30, 2019). Furthermore, there were approximately 292 CDFI-designated credit unions at the end of 2019, constituting about 27 percent of all certified CDFIs. Ensuring that these institutions have the resources they need to survive and serve their members during these challenging times is critically important for the health of our communities. Credit unions are keenly aware of the hardships their members are facing due to the COVID-19 pandemic and are working around the clock to proactively assist them. Many credit unions have implemented programs to protect their members' financial health, including skipping payments without penalty, waiving fees, low or no-interest loans, loan modifications and no interest accruals. Furthermore, credit unions have stepped up to ensure small businesses in their communities are taken care of during these uncertain times through the Paycheck Protection Program (PPP).

To that end, we support the Subcommittee's legislative efforts to ensure that CDFIs and MDIs have the resources they need to serve their communities. Providing $1 billion in emergency funding for the CDFI Fund would allow more credit unions to access monies to provide specific

The Honorable Gregory Meeks
The Honorable Blaine Luetkemeyer
June 2, 2020
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programs to help their members, and NAFCU appreciates that this funding was included in the House's Phase IV relief bill, the *Health and Economic Recovery Omnibus Emergency Solutions Act* (HEROES Act). We are also supportive of Representative Alma Adams's new proposal to authorize $5 billion to the CDFI Fund for fiscal year 2020, with $2 billion to be reserved for MDIs. Additionally, we urge you to also consider measures to make it easier for credit unions to become a CDFI.

As you examine support for community development institutions, we ask you to consider increasing funding for the NCUA's Community Development Revolving Loan Fund (CDRLF) program, which allows NCUA to provide technical assistance grants to credit unions serving low-income communities. NCUA Board Member Todd Harper has specifically called for at least $10 million more for grants in 2020 to help low-income credit unions. Increasing these grants can help ensure that these credit unions have work-from-home infrastructure in place that is appropriately secure during social distancing measures.

In regard to the PPP, NAFCU urges Congress to continue to set aside PPP funds for community financial institutions, as well as consider additional set asides specifically for CDFIs and MDIs in future rounds of funding similar to what was included in the HEROEs Act. We appreciate that Treasury and the SBA acted on May 28, 2020 to allocate $10 billion of second-round PPP funding to lending by CDFIs. In addition, we ask you to consider other measures to help community financial institutions promptly make PPP loans, such as a dedicated processing window for small lenders, which the SBA employed during the second round of funding. This is especially important for MDI credit unions, which are typically smaller institutions: 87 percent have assets of $100 million or less, and they tend to underperform growth in all categories, including asset size, membership and loan volume, in comparison to the rest of the credit union industry

We thank you for your leadership and ongoing efforts to support CDFIs and MDIs during these uncertain times. We appreciate the opportunity to share our input and look forward to continuing to work with the Subcommittee on these issues. Should you have any questions or require any additional information, please contact me or Sarah Jacobs, NAFCU's Associate Director of Legislative Affairs, at (571) 289-7550.

Sincerely,

Brad Thaler

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Subcommittee on Consumer Protection and Financial Institutions

National Credit Union Administration

Office of the Chairman

June 19, 2020

SENT BY EMAIL

The Honorable Patrick McHenry
Ranking Member
U.S. House Committee on Financial Services
4340 O'Neill House Office Building
Washington, DC 20024

Dear Ranking Member McHenry:

The National Credit Union Administration is pleased to submit its 2019 Annual Report to Congress on Preserving Minority Depository Institutions.

The release of this report today is purposeful. First celebrated 155 years ago today, Juneteenth remains the most widely recognized observance of the end of slavery in the United States. Although the Emancipation Proclamation had declared them free on January 1, 1863, enslaved men and women in Texas only learned about their freedom on June 19, 1865, when Union soldiers arrived in Galveston, Texas, and announced the *"absolute equality of rights"* between slave owners and slaves.

The recent protests across America and the COVID-19 pandemic, which has disproportionately affected minority communities, have illustrated the economic and financial challenges of minority, rural, and underserved communities and the extent of our nation's income inequality. These events underscore the importance of minority depository institutions (MDIs) credit unions to their communities, and the NCUA has and will continue to find more avenues of support for these institutions so that much needed capital can flow into areas that are often overlooked or underserved.

This report details the financial condition of minority credit unions and the agency's efforts to preserve and promote the formation of new MDIs, which play a critical role in advancing financial inclusion and the economic well-being of minorities and underserved communities. A federally insured credit union can qualify as an MDI if 50 percent or more of its current members, eligible potential members, and board members are minorities. As of December 31, 2019, the NCUA regulated and insured 514 MDI credit unions. Because MDIs traditionally serve low-wealth areas, 79 percent of MDIs also hold a low-income designation.

MDI credit unions represent approximately 10 percent of all federally insured credit unions. Due primarily to mergers, the number of MDI credit unions declined between 2018 and 2019, mirroring the general long-term trend of consolidation in the financial services sector.

The Honorable Patrick McHenry
June 19, 2020
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Nevertheless, several financial performance metrics improved for MDI credit unions in 2019 including:

- Membership rose 2.0 percent, to more than 3.9 million;
- Total assets grew 5.3 percent, to $40.5 billion;
- Loans increased 6.0 percent, to $28.4 billion;
- Aggregate total shares and deposits rose 5.2 percent, to $34.7 billion; and
- They are generally well-capitalized. As of December 31, 2019, the overall net worth ratio for MDI credit unions was 11.77 percent, higher than the credit union industry's overall net worth ratio of 11.37 percent. Further, 95.85 percent reported a net worth ratio of at least 7 percent, the standard for a "well-capitalized" institution.

Financial inclusion is a long-standing priority for my chairmanship of the NCUA, and a key part of this effort is the NCUA's work to help MDI credit unions grow and thrive. To that end, I will continue seeking ways to assist these institutions and improve the NCUA's MDI Preservation Program. Should you need further information, please contact Gisele Roget, Deputy Chief of Staff and Director, Office of External Affairs and Communications, at 703-518-6330 or GRoget@ncua.gov.

Sincerely,

Rodney E. Hood

Rodney E. Hood
Chairman

National Credit Union Administration

Preserving Minority Depository Institutions

June 2020

2019 Annual Report to Congress

www.NCUA.gov

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Introduction to the Report

The National Credit Union Administration (NCUA) is pleased to submit to Congress its seventh Annual Report on Preserving Minority Depository Institutions, which describes the composition and financial performance of the minority depository institutions (MDIs) the NCUA supervised during 2019 and the agency's actions to preserve and promote them.

This report is submitted pursuant to Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and Section 367 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

The NCUA's mission is to provide, through regulation and supervision, a safe and sound credit union system, which promotes confidence in the national system of cooperative credit. Further, the agency protects consumers, insures the deposits of credit union members, and safeguards the National Credit Union Share Insurance Fund (Share Insurance Fund) from losses.

The NCUA's Office of Credit Union Resources and Expansion (CURE) administers the Minority Depository Institutions (MDI) Preservation Program and exists to support and assist the growth of all credit unions, with a particular focus on low-income-designated credit unions and minority institutions. More specifically, CURE is responsible for:

- Chartering and field-of-membership;
- Grant and loan programs, including administration and management of the Community Development Revolving Loan Fund (CDRLF);
- MDI Preservation Program; and
- Training.

Some of CURE's programs, including grant and loan funding, have specific eligibility requirements, while others, such as training, are open to all credit unions. On an ongoing basis, the NCUA is focused on improving the ways it assists these institutions, particularly with regard to growing and serving their members.

A Note on the COVID-19 Pandemic

As this Annual Report to Congress on Preserving Minority Institutions was being prepared, the world was confronted by the novel coronavirus (COVID-19), a pandemic that is profoundly affecting the global economy and all its citizens. Since the COVID-19 emergency began, the NCUA has responded decisively to the needs of the nation's credit unions and has been working tirelessly to fulfill its critical mission of protecting the safety and soundness of the 5,236 credit unions that we oversee.

In that regard, we wish to express deep gratitude to the NCUA's 1,141 employees for their unwavering dedication and fidelity to our agency's mission. Each day, they put forth their best efforts to protect the nation's system of cooperative credit. As the community of credit unions works together to get through this unprecedented situation, it will undoubtedly emerge stronger for it. Together, and in the ethos of "people helping people," we will rise to the challenge.

Key Terms and Definitions

CURE: Office of Credit Union Resources and Expansion

Field of Membership: A credit union's field of membership defines who is eligible to join the credit union. Depending on the credit union's charter, a field of membership can include individuals who:

- Are members of an association (like a civic association or religious institution) or part of a community (like a county or town);
- Are employed in a particular occupation, like a firefighter or teacher;
- Are a part of an underserved area, like a rural county; or
- Who share a common bond, such as those who work at a factory or those who work for the factory's suppliers.

FIRREA: Financial Institutions Reform, Recovery, and Enforcement Act of 1989

Low-Income-Designated Credit Union: The Federal Credit Union Act allows the NCUA to designate a credit union as low-income if it meets certain criteria. This designation gives these credit unions a greater ability to help stimulate economic growth and provide affordable financial services in communities that have been historically underserved. To qualify as a low-income credit union, a majority of a credit union's membership must meet certain low-income thresholds based on data from the U.S. Census Bureau. The designation offers several benefits for credit unions that qualify, including the ability to accept non-member deposits, an exemption from the member business lending cap, eligibility for technical assistance grants and loans, and the ability to obtain supplemental capital from organizations, such as banks or outside investors.

Member: A person who uses a credit union is referred to as a member rather than a customer. This is because a credit union member actually owns a portion, or share, of their credit union. This differs from a bank, which is owned by its shareholders, not its customers. A credit union member also has the ability to determine the credit union's board of directors through a democratic election.

Minority Depository Institution (MDI): This term is used to describe a credit union that has a majority of its current or potential membership composed of minorities (in this case Black American, Hispanic American, Asian American, or Native American) and a majority of minority members on its board of directors.

NCUA: National Credit Union Administration

Safety and Soundness: Federal and state supervision of credit unions is designed to provide for a financially stable system that meets the financial needs of credit union members, as well as to prevent runs and panics by providing assurances that funds deposited will be protected from loss. A credit union is considered to be safe and sound if it is being run effectively and is compliant with all applicable laws and regulations.

The National Credit Union Share Insurance Fund (Share Insurance Fund): This fund provides deposit insurance for member accounts at all credit unions that are federally insured. The Share Insurance Fund is funded by premiums paid by credit unions, which is one percent of the shares or deposits at credit unions. It is backed by the full faith and credit of the United States. The Share Insurance Fund insures individual accounts up to $250,000, and a member's interest in all joint accounts combined is insured up to $250,000. The fund separately protects IRA and KEOGH retirement accounts up to $250,000.

Executive Summary

Credit unions are member-owned and -controlled, not-for-profit, cooperative financial institutions formed to give people access to affordable financial services and participate in their institutions' governance. Credit union members share the same association, community, or profession. MDIs serve the financial needs of racial minorities because traditional financial institutions have historically underserved these populations.

A federally insured credit union can qualify as an MDI if 50 percent or more of its current members, eligible potential members, and board members are minorities. A "minority" is defined as any "Black American, Asian American, Hispanic American, or Native American" as defined in Section 308 FIRREA Act of 1989.

Federally insured credit unions self-designate as MDIs. To do this, a credit union must affirm in the NCUA's Credit Union Online Profile system that 50 percent or more of its current members, eligible potential members, and board of directors are from one or a combination of the four minority categories described in FIRREA.

MDI Financial Performance in 2019

As of December 31, 2019, the NCUA regulated 514 federally insured credit unions with the MDI designation in 36 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Approximately 10 percent of all federally insured credit unions are MDIs.

MDI credit unions are generally small, with 57 percent of all MDIs having less than $10 million in assets. These credit unions are typically located in a church, factory, or in small business locations. Due primarily to mergers, the number of MDI credit unions declined between 2018 and 2019, mirroring the general long-term trend of consolidation in the financial services sector.

MDI Preservation Activities in 2019

Through the NCUA's MDI Preservation Program, MDI credit unions have access to grants and loans (as eligible), training and technical assistance, and guidance from their examiners. In 2019, the NCUA:

- Chartered one new MDI credit union, Otoe-Missouria, in Red Rock, Oklahoma.
- Provided 58 low-income-designated MDI credit unions with more than $738,000 in technical assistance grants. The funds supported various

credit union needs, such as developing digital tools, improving the financial well-being of members, and staff development, such as professional certifications in financial education.

- Provided three MDI credit unions with nearly $75,000 in grants under the agency's new mentoring program pilot to help smaller, low-income-designated MDI credit unions obtain technical and other assistance from larger institutions.
- Approved field-of-membership expansions for 24 MDIs, allowing them to add 578 groups or geographic areas to their membership.

Financial Performance of MDI Credit Unions in 2019

As of December 31, 2019, the NCUA regulated 514 federally insured credit unions with the MDI designation in 36 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. That figure represents approximately 10 percent of all federally insured credit unions. Due primarily to mergers, the number of MDI credit unions declined between 2018 and 2019, mirroring the general long-term trend of consolidation in the financial services sector.

- The number of MDI credit unions declined from 530 at the end of 2018.
- MDI credit unions tend to be smaller institutions; 87 percent reported total assets of $100 million or less at the end of 2019.
- Seventy-nine percent of MDI credit unions also had the low-income designation.
- 20 MDI credit unions merged during 2019. The desire to offer expanded services to members is the reason given by 15 MDIs that decided to merge during 2019. Three cited poor financial condition; one cited an inability to attract officials; and one gave declining membership as their reasons for merging. Six of the continuing credit unions were MDIs.

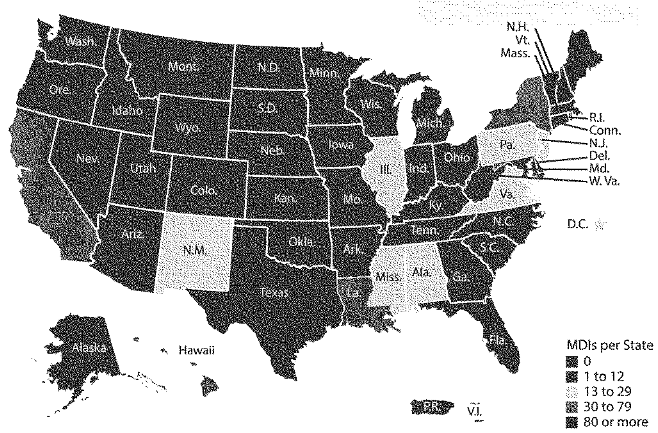
While the total number of MDIs declined, several financial performance metrics improved in 2019:

- The 514 MDI credit unions served more than 3.9 million members, an increase of 2.0 percent from 2018.
- The MDI credit unions reported total assets of $40.5 billion, up 5.3 percent from 2018.
- These credit unions made $28.4 billion in loans, an increase of 6.0 percent from 2018.
- The loans were primarily concentrated in mortgages (44 percent of aggregate MDI loans) and vehicle loans (41 percent of aggregate MDI loans). Eighty-two percent of first mortgages held by MDIs were fixed-rate loans, compared with 74 percent for federally insured credit unions overall.
- MDI credit unions had aggregate total shares and deposits of $34.7 billion, up 5.2 percent from 2018.
- MDI credit unions were generally well-capitalized. As of December 31, 2019, the overall net worth ratio for this group of credit unions was 11.77 percent, higher than the credit union industry's overall net worth ratio of 11.37 percent.
- Of the 514 MDI credit unions, 489, or approximately 95 percent, reported a net worth ratio of at least 7 percent, the standard for a "well-capitalized" institution.
- As a group, MDI credit unions posted a return on average assets of 82 basis points at the end of 2019, compared

to 94 basis points for federally insured credit unions overall.

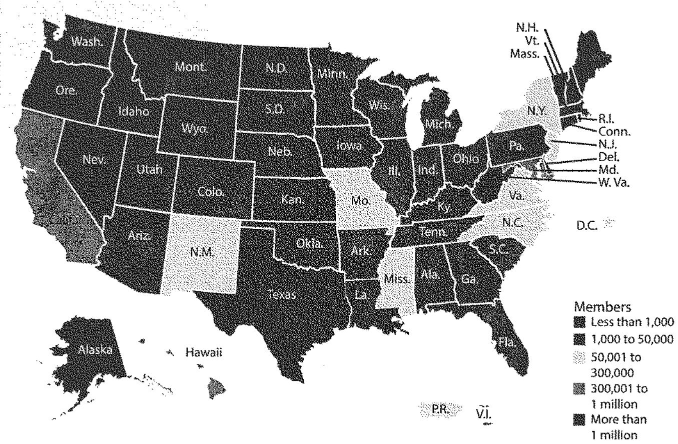
- MDI credit unions had an overall delinquency rate of 86 basis points at the end of 2019, compared to 71 basis points for federally insured credit unions overall.

Total Number of Minority Depository Institutions by State



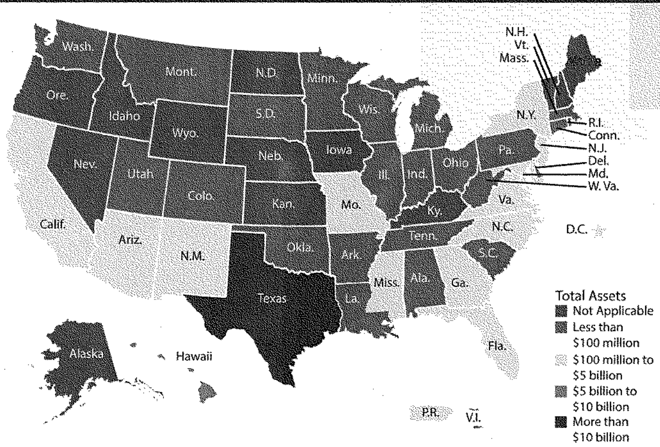
This map shows the geographic and numerical distribution of credit unions throughout the country. The star indicates the District of Columbia. MDIs are located in 36 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Texas, California, New York, Hawaii, Louisiana, and Illinois had the highest number of MDIs.

Total Number of Minority Depository Institution Members



This map above shows the aggregate distribution of MDI members by state. The star represents the District of Columbia. Collectively, MDIs serve more than 3.9 million members. With more than 1.5 million members, Texas has the largest number, followed by Hawaii, California, Maryland, and New Mexico.

Total Minority Depository Institution Assets



This map shows the geographic distribution of aggregate MDI assets in individual states, in hundreds of millions of dollars. The star represents the District of Columbia. With more than $15 billion, Texas MDIs have the largest asset total, followed by Hawaii, California, Maryland, New Mexico, the District of Columbia, and North Carolina. Each of those states has more than $1 billion in aggregate assets.

For more information on the financial performance of MDI credit unions in 2019, see Appendix 1. "Financial Trends in Minority Depository Institutions."

For a complete listing of MDI credit unions in 2019 by state, see Appendix 2. "MDI Credit Unions by State."

MDI Credit Union Preservation Program

On June 18, 2015, the NCUA Board approved the final Minority Depository Institution Preservation Program Interpretive Ruling and Policy Statement, No. 13-1, which details the program's objectives for preserving and encouraging MDIs in accordance with the goals set forth in FIRREA. These goals are consistent with the NCUA's mission and strategic goal of ensuring a safe, sound, and sustainable credit union system.

Through the NCUA's MDI Preservation Program, MDI credit unions have access to grants and loans (as eligible), training and technical assistance, and guidance from their examiners.

Chartering New MDIs

In 2019, the NCUA chartered one new MDI federal credit union, the Otoe-Missouria Federal Credit Union in Red Rock, Oklahoma. This credit union will serve the approximately 4,200 members and employees of the Otoe-Missouria Tribe as well as 17 tribal-owned businesses.

The NCUA also designated Otoe-Missouria Federal Credit Union as a low-income credit union, based on its potential membership. This designation gives the credit union the ability to accept non-member deposits, obtain grants and loans from the CDRLF, offer secondary capital accounts, and qualify for exemptions from statutory limits on member business lending.

Assisting MDIs through NCUA's Examination Program

The NCUA's MDI program supports credit unions that serve communities and individuals who may lack access to affordable financial products and services. The agency's support is provided through field staff who work directly with credit unions in the routine course of their regulatory supervision and the support services offered through CURE. Below are three examples of this direct staff support:

- The NCUA's Eastern Region worked with CURE staff to help a credit union address various management challenges by enabling a second credit union to mentor and assist with daily administrative functions. The goal of the mentoring relationship is to enable the management-challenged credit union to become self-sufficient, profitable, and improve member service.
- The NCUA's Western Region worked with a credit union on certification as a Community Development Financial Institution (CDFI), consistent with the credit union's strategic plan to expand its community development efforts. The staff also advised the credit union on the agency's streamlined process for obtaining the low-income designation, and referred it to another CDFI credit union, whose management expressed willingness to help other small credit unions.
- The NCUA's Southern Region worked with a credit union's management to help them apply for a mentoring grant, which they obtained. The mentoring grant supported the credit union's partnership with another institution to provide staff training.

Preserving the Present Number of MDIs

- **MDI Mentoring Pilot Program:** In 2019, the NCUA created, through the CDRLF, the MDI Mentoring Pilot Program, which awards grants that encourage relationships between larger low-income credit unions (mentors) and small MDIs. Through such relationships, stronger and more experienced credit unions can provide technical assistance to smaller MDIs to improve their ability to serve minority, low-income, and underserved populations. In the inaugural funding round, three MDIs received almost $75,000 in aggregate. Among other projects, the MDIs proposed to provide hands-on training for loan staff in portfolio management and risk assessment, strategic planning, and guidance on management transition.
- **Field-of-Membership Expansion:** One of the most significant ways to preserve the number of MDIs is to grow existing institutions. To that end, the NCUA approved field-of-membership expansions for 24 MDIs in 2019, enabling the credit unions to

add 578 groups or geographic areas to their fields of membership.

- **Definition of an MDI:** Another way to preserve the number of existing MDIs is to increase, though outreach and education efforts, the number of credit unions that meet the definition of an MDI. Besides training, CURE's efforts in this area included developing print outreach and information materials for use at MDI events.

Preserving MDIs' Minority Character

Of the 20 MDIs merged into other credit unions during 2019, six of the continuing credit unions were also MDIs. In total, MDI mergers represented approximately 14 percent of all NCUA merger approvals for federally insured credit unions during 2019.

While the NCUA's work in this area is highly confidential to preserve the interests of all parties involved, agency staff who work directly with credit unions frequently provide guidance to the board and management throughout a merger.

Providing Funding, Technical Assistance, Training, and Educational Programs

The NCUA supports MDIs by providing funding, technical assistance, and other services to promote and preserve these financial institutions consistent with the requirements of Section 308 of FIRREA. MDIs leverage these resources to improve delivery of safe, affordable financial services to better serve their communities.

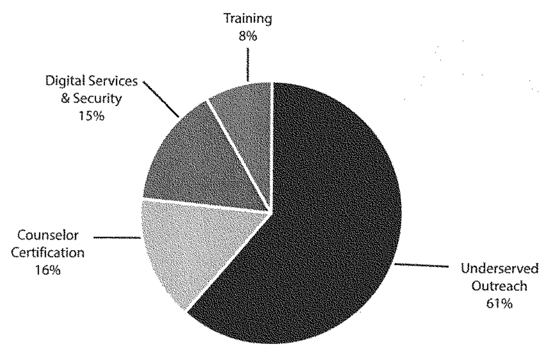
Technical Assistance Grants

The NCUA awarded $738,000 in technical assistance grants to 58 MDI credit unions in 2019. Thirty-seven, or about 64 percent, of those were credit unions with assets of less than $100 million. MDI credit unions applying for technical assistance grants requested a total of $2.5 million. The NCUA awarded one-third of all MDIs applying for technical assistance grants.

The chart below shows the distribution, by funding initiative, of award amounts to MDIs. An initiative specifies the uses for which the funds may be used. The 2019 initiatives included:

- **Digital Services:** Supporting development of digital tools for member outreach programs.
- **Training:** Helping eligible credit unions develop staff talents and skills.
- **Underserved Outreach:** Assisting eligible credit unions with efforts to improve the financial well-being of individuals in underserved areas.
- **Counselor Certification:** Providing support for credit union staff seeking financial education certification.

2019 Grants to MDIs By Funding Initiative



For a full list of the MDI awardees, see Appendix 3, "MDI Technical Assistance Grant Awardees."

Besides providing direct funding, CURE in 2019:

- Hosted a webinar on the Bank Enterprise Award program, which awards FDIC-insured depository institutions for increasing their investments supporting CDFIs and advancing community development financing and service activities in economically distressed communities; and
- Began a series of targeted emails to MDIs to inform them about other possible funding opportunities.

CDFI Certification

Through an initiative between the NCUA and the U.S. Department of the Treasury's CDFI Fund, the NCUA qualified three MDIs in 2019.[1] The initiative streamlines the qualification and application process for low-income credit unions interested in being certified as CDFIs and requires less data and independent analysis than the standard certification process. The NCUA leverages existing data and processes the agency has as the primary regulator of federally insured credit unions. Once a credit union qualifies for the

1 "Treasury, NCUA Partner to Increase Opportunities for Low-Income Credit Unions," *Press Release*, January 21, 2016 https://www.ncua.gov/newsroom/Pages/news-2016-jan-community-development-financial-institutions.aspx.

streamlined application, the agency provides it with information necessary to complete and submit a certification application to the CDFI Fund.

The CDFI Fund determines an applicant's certification status. Through this certification, the U.S. Department of the Treasury recognizes specialized financial institutions as serving low-income and economically disadvantaged communities.[2] With a CDFI certification, an organization has access to a variety of funding programs through the CDFI Fund, such as mortgage lending for first-time homebuyers and commercial loans.

Training and Educational Programs

One of the cornerstone services CURE offers through the NCUA's online training portal, the Learning Management Service (LMS), is training for credit union management, board members and staff. The LMS offers on-demand learning opportunities on many topics, including how the credit union system works, and how credit unions are governed, and is available free of charge to all credit unions. Given the characteristics of most MDIs, the online access provides an affordable means to receive quality training at the convenience of the participant.

CURE began development of two new training modules during 2019.

2 CDFI Certification Eligibility Requirements: https://www.cdfifund.gov/programs-training/certification/cdfi/Pages/default.aspx.

Looking Forward

Building on the success of its 2019 MDI initiatives, the NCUA in 2020 has continued its strong support of federally insured credit unions that serve communities and individuals who may lack access to mainstream financial products and services. Some examples of this support are noted below.

Freedman's Bank Forum

On March 3, 2020, the NCUA co-sponsored the Freedman's Bank Forum with the U.S. Department of Treasury and other federal financial institution regulators. A celebration of the 155th anniversary of the Freedman's Bank, which was founded to advance financial and economic security for African Americans and their communities after the Emancipation Proclamation and the end of the Civil War, the event featured welcome remarks by NCUA Chairman Rodney E. Hood. In his remarks, Chairman Hood addressed topics of significant importance to MDIs including: initiatives and supervisory strategies underway by agencies to complement the work of MDIs in their communities; the challenges an evolving financial services marketplace poses to smaller institutions; and the benefits of fintech as a way to improve service and expand access to affordable financial services.

Following his remarks, Chairman Hood moderated a panel discussion on the importance of MDI preservation that featured **Joseph Otting**, Comptroller of the Currency; **Bimel Patel**, Assistant Secretary for Financial Institutions at the U.S. Department of the Treasury; **Jelena McWilliams**, Chairman of the Federal Deposit Insurance Corporation (FDIC); and **Michelle Bowman**, Governor, Board of Governors of the Federal Reserve System.

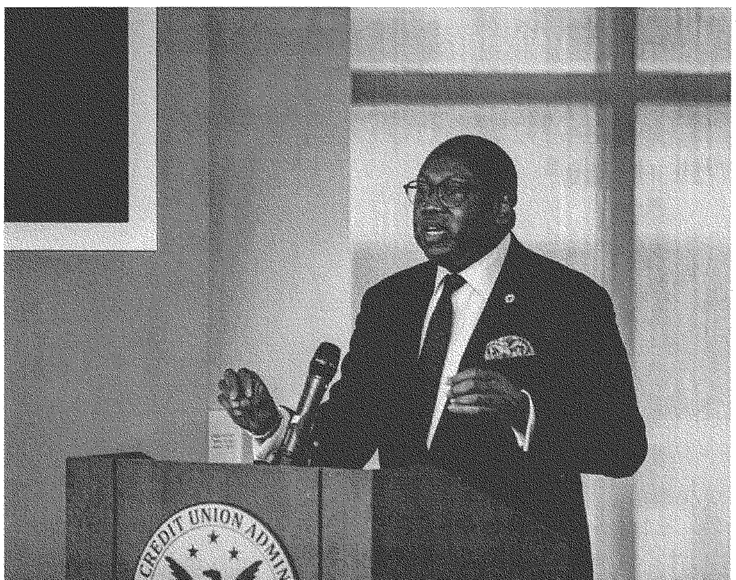
NCUA's MDI Forum

Chairman Hood hosted a two-day MDI Forum for credit unions, an event consisting of several training and breakout sessions that were focused on the NCUA's 2020 supervisory priorities, growth strategies, and the NCUA's initiatives to support minority credit unions.

Attended by MDI representatives and relevant industry stakeholders, the Forum began with an intimate, one-on-one discussion between the Chairman and Calvin Harris,Senior Vice President, Finance and Chief Financial Officer of the National Urban League.

MDI Mentoring Program

In April of 2020, the agency made another $125,000 available under the MDI Mentoring Program with applications due between May 1 and June 30, 2020.



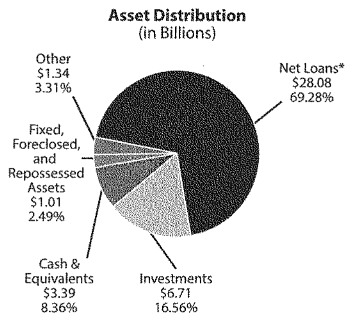
On March 4, 2020, Chairman Hood speaks during the NCUA's MDI Forum.

Other Initiatives

Throughout the remainder of 2020, the NCUA will continue its work to ensure the MDI Preservation Program is responsive to the specific needs and challenges of MDIs. These activities include providing targeted training to MDIs on such topics as financial and statement analysis and credit union board responsibilities. The NCUA will also continue its efforts to increase the program's visibility and encourage new MDIs.

Appendix 1: Financial Trends in Minority Depository Institutions – Dec. 31, 2019

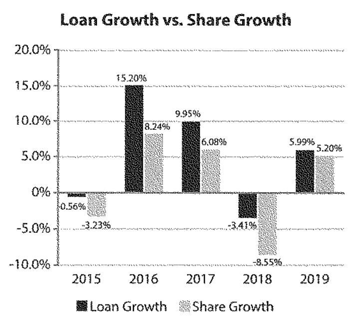
Overall Trends

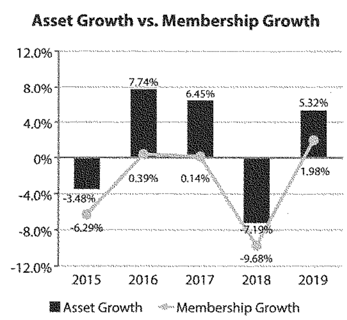


*Net Loans equals Total Loans ($28.4 billion) minus Allowance for Loan and Lease Losses ($0.3 billion). Numbers may not add up due to rounding.

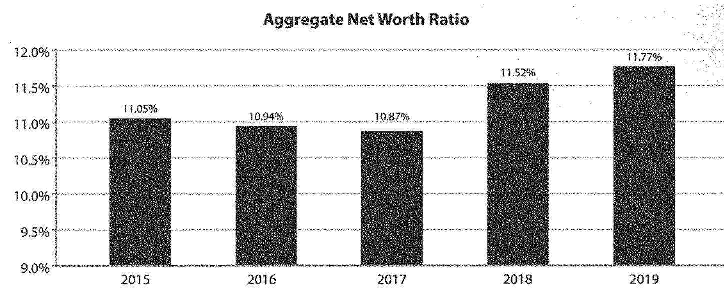
Number of Insured Credit Unions Reporting

	MDIs	LIDs	SCUs	FICUs
2015	626	2,297	4,500	6,021
2016	586	2,491	4,234	5,785
2017	563	2,542	4,016	5,573
2018	530	2,554	3,804	5,375
2019	514	2,605	3,641	5,236





Net Worth



Net Worth Change

	December 2018 in Billions	December 2019 in Billions	% Change (Annualized)
Total Net Worth	$4.43	$4.77	7.66%
Secondary Capital*	$0.14	$0.15	2.31%

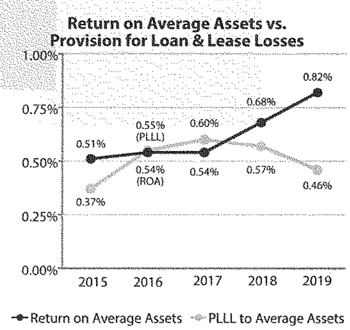
*For low-income-designated credit unions, net worth includes secondary capital.Numbers may not add up due to rounding.

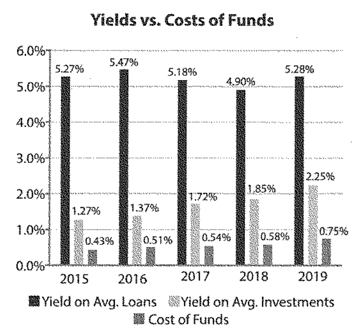
Net Worth Ratios

Number of Credit Unions	December 2018	% of Total	December 2019	% of Total
7% or above	508	95.85%	488	94.94%
6% to 6.99%	14	2.64%	15	2.92%
4% to 5.99%	6	1.13%	9	1.75%
2% to 3.99%	2	0.38%	2	0.39%
0% to < 2.00%	0	0.00%	0	0.00%
Less than 0%	0	0.00%	0	0.00%

Numbers may not add up due to rounding.

Earnings

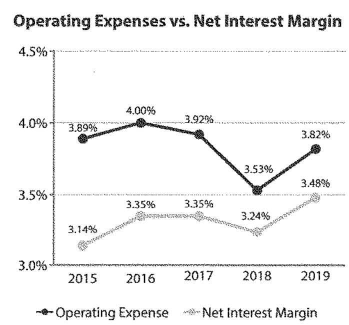




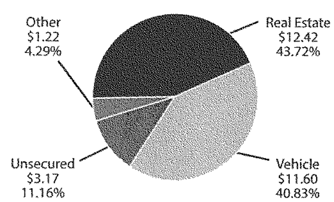
Ratio of Average Assets

Ratio (% of Average Assets)	December 2018	December 2019	Effect on ROA
Net Interest Margin	3.24%	3.48%	0.24 bp
+ Fee & Other Inc.	1.46%	1.53%	0.07 bp
- Operating Expenses	3.53%	3.82%	-0.29 bp
- PLLL	0.57%	0.46%	0.11 bp
+ Non-Operating Income	0.07%	0.08%	0.01 bp
= ROA	0.68%	0.82%	0.14 bp

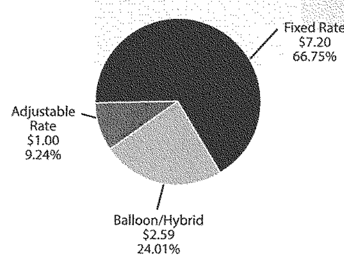
Numbers may not add up due to rounding.



Loan Distribution



Numbers may not add up due to rounding.



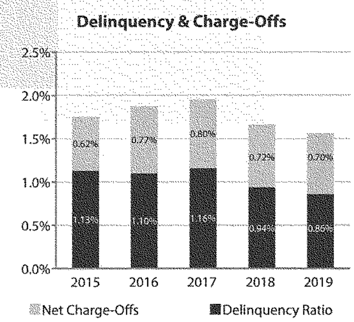
Numbers may not add up due to rounding.

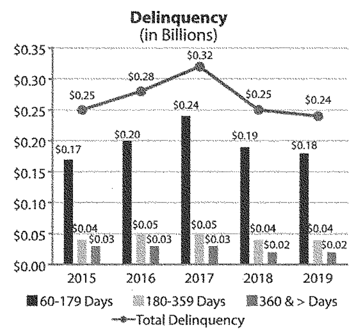
Loan Growth

Loan Category	December 2018 in Billions	% of Total Loans December 2018	December 2019 in Billions	% of Total Loans December 2019	Growth in Billions	Growth Rate (Annualized)
Unsecured Credit Card	$1.01	3.77%	$1.02	3.60%	$0.01	1.22%
All Other Unsecured	$2.11	7.87%	$2.15	7.56%	$0.04	1.89%
New Vehicle	$5.00	18.65%	$5.20	18.29%	$0.20	3.99%
Used Vehicle	$6.13	22.87%	$6.40	22.53%	$0.27	4.42%
First Mortgage Real Estate	$9.79	36.55%	$10.79	37.97%	$0.99	10.13%
Other Real Estate	$1.57	5.86%	$1.63	5.75%	$0.06	4.10%
Leases Receivable & All Other	$1.19	4.44%	$1.22	4.29%	$0.03	2.28%
Total Loans	**$26.80**		**$28.40**		**$1.61**	**5.99%**

Numbers may not add up due to rounding.

Loan and Delinquency Trends

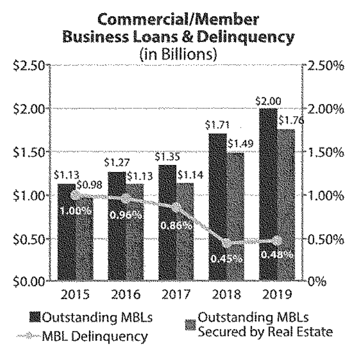




Charge-Offs and Recoveries

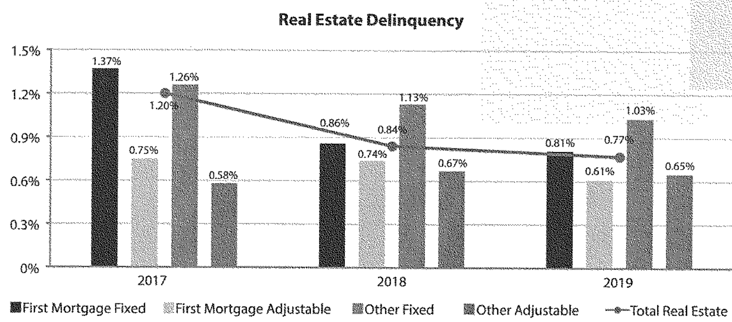
Total Loan Charge-Offs and Recoveries	December 2018 in Billions	December 2019 in Billions*	% Change
Total Loans Charged Off	$0.24	$0.24	0.43%
Total Loan Recoveries	$0.04	$0.04	8.99%
Total Net Charge-Offs	$0.20	$0.19	-1.35%

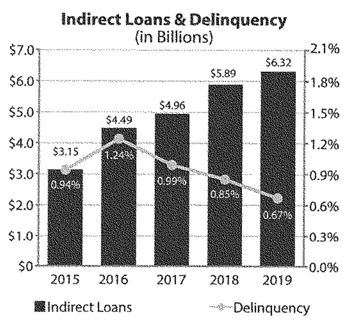
* Annualized
Numbers may not add up due to rounding.

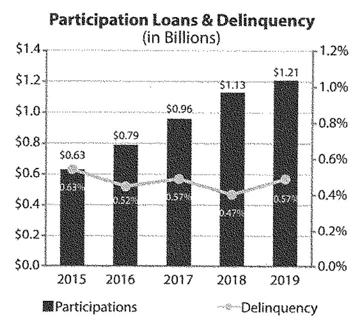


* Reporting requirements for loans were changed with September 2017 cycle to accommodate the regulatory definition of commercial loans.

Loan and Delinquency Trends (continued)

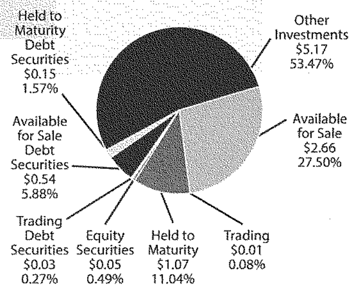






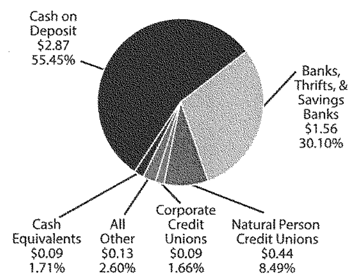
Investment Trends - Accounting Standards Codification

ASC 320 Investment Classification
(in Billions)



Numbers may not add up due to rounding.

Total Non-ASC 320 Investment Distribution
(in Billions)



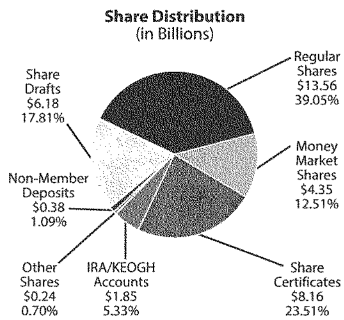
Numbers may not add up due to rounding.

Maturity

Maturity or Repricing Intervals for Investments and Cash on Deposit & Equivalents	December 2018 in Billions	% of Total Investments December 2018	December 2019 in Billions	% of Total Investments December 2019	Growth in Billions	Growth Rate (Annualized)
Less than 1 year	$4.34	45.99%	$4.99	51.58%	$0.64	14.75%
1 to 3 years	$2.50	26.46%	$2.55	26.40%	$0.05	2.11%
3 to 5 years	$1.87	19.76%	$1.39	14.43%	-$0.47	-25.30%
5 to 10 years	$0.59	6.28%	$0.56	5.80%	-$0.03	-5.50%
Greater than 10 years	$0.14	1.51%	$0.17	1.78%	$0.03	21.22%
Total Investments*	**$9.45**		**$9.66**		**$0.22**	**2.32%**

*Includes borrowing repurchase agreements placed in investments for positive arbitage
Numbers may not add up due to rounding.

Share Trends



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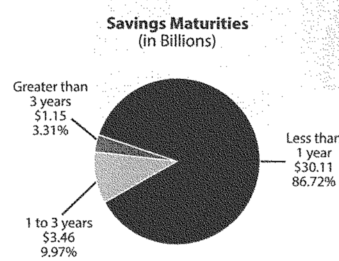


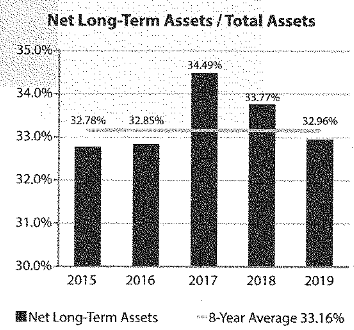
Numbers may not add up due to rounding.

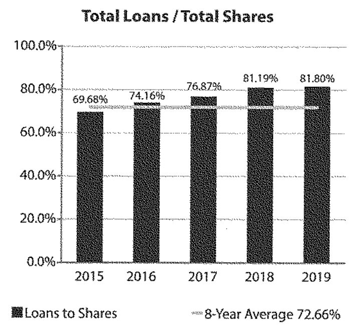
Shares

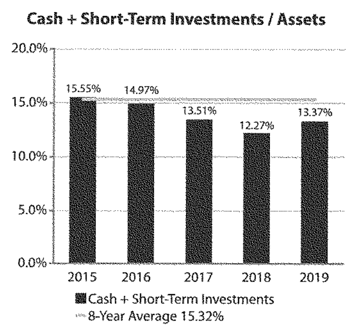
Share Category	December 2018 Balance in Billions	% of Total Shares December 2018	December 2019 Balance in Billions	% of Total Shares December 2019	Growth in Billions	Growth Rate (Annualized)
Share Drafts	$5.84	17.68%	$6.18	17.81%	$0.35	5.97%
Regular Shares	$13.19	39.96%	$13.56	39.05%	$0.37	2.80%
Money Market Shares	$4.32	13.07%	$4.35	12.51%	$0.03	0.70%
Share Certificates	$7.32	22.17%	$8.16	23.51%	$0.85	11.56%
IRA / KEOGH Accounts	$1.85	5.60%	$1.85	5.33%	$0.00	0.24%
All Other Shares	$0.22	0.68%	$0.24	0.70%	$0.02	8.76%
Non-Member Deposits	$0.28	0.85%	$0.38	1.09%	$0.10	35.18%
Total Shares and Deposits	**$33.01**		**$34.72**		**$1.72**	**5.20%**

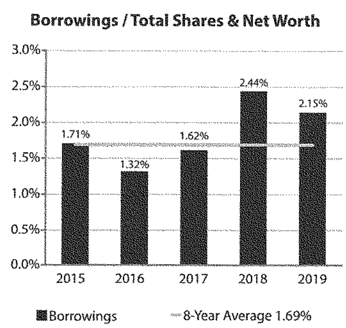
Numbers may not add up due to rounding.

Asset–Liability Management Trends









Summary of Trends by Assets

	Small Credit Unions	Low-Income Designation Credit Unions	Minority Depository Intsitutions	Federally Insured Credit Unions
Number of Credit Unions	3,641	2,605	514	5,236
Total Assets	$95.32 billion	$661.64 billion	$40.53 billion	$1.57 trillion
Average Assets/CU	$26.18 million	$253.99 million	$78.86 million	$0.30 billion
Net Worth / Total Assets	12.94%	11.28%	11.77%	11.37%
Net Worth Growth*	4.89%	9.34%	7.37%	8.96%
Return on Average Assets (ROA)*	0.60%	0.95%	0.82%	0.94%
Net Interest Margin/ Average Assets	3.45%	3.28%	3.48%	3.17%
Fee & Other Income/ Average Assets	1.16%	1.59%	1.53%	1.36%
Operating Expense/ Average Assets	3.77%	3.58%	3.82%	3.21%
Members / Full-Time Employees	383.41	360.51	363.28	386.06
Provision for Loan Loss/ Average Assets	0.27%	0.40%	0.46%	0.43%
Loans / Shares	65.16%	86.39%	81.80%	83.95%
Delinquent Loans / Total Loans	0.99%	0.69%	0.86%	0.71%
% of Real Estate Loans Delinquent > 59 Days	0.83%	0.54%	0.77%	0.55%
% of Commercial Loans Delinquent > 59 Days	0.64%	0.62%	0.48%	0.63%
Net Charge-Offs/ Average Loans	0.48%	0.50%	0.70%	0.56%
Share Growth*	2.44%	8.99%	5.30%	8.66%
Loan Growth*	2.94%	7.25%	6.11%	6.61%
Asset Growth*	2.72%	8.48%	5.38%	8.25%
Membership Growth*	-0.58%	3.79%	2.32%	4.06%
Net Long-Term Assets / Total Assets	20.58%	32.76%	32.96%	33.96%
Cash + Short-Term Investments / Assets	22.79%	12.41%	13.37%	12.83%
Borrowings / Shares & Net Worth	0.25%	2.95%	2.15%	3.54%

*Note: These items are based on the same federally insured credit unions reporting at 12/31/2018 and 12/31/2019, based on 12/31/2019 assets.

Appendix 2: 2019 Minority Depository Institution Grant Recipients

Credit Union Name	Charter Number	Initiative	Amount
Adirondack Regional	5546	Digital Services & Security	$8,000.00
Alternatives	23283	Training	$5,000.00
Arbuckle	24843	Training	$5,000.00
Ascension	62018	Counselor Certification	$5,000.00
Big Island	1607	Digital Services & Security	$6,000.00
Clarke Community	13018	Digital Services & Security	$8,000.00
Community South	67434	Counselor Certification	$5,000.00
Consolidated	9292	Digital Services & Security	$8,000.00
Cu Community	63411	Counselor Certification	$4,400.00
Dc	16411	MDI Mentoring	$24,875.00
Fidelis	11380	MDI Mentoring	$25,000.00
Fort Financial	5431	Counselor Certification	$5,000.00
Georgetown University Alumni And Student	23979	Digital Services & Security	$6,000.00
Glamour Community	13785	Training	$3,000.00
Greater New Orleans	404	Counselor Certification	$5,000.00
Hew	1407	Counselor Certification	$5,000.00
Holy Rosary	64690	Counselor Certification	$5,000.00
Holy Rosary	64690	Underserved Outreach	$100,000.00
Honea	7594	Digital Services & Security	$8,000.00
Howard University Employees	648	Digital Services & Security	$3,437.50
Hud	4037	Training	$5,000.00
Hudson Heritage	3962	Counselor Certification	$5,000.00
Iberville	12356	Training	$3,705.00
Kemba Charleston	108	Counselor Certification	$3,000.00
Korean American Catholics	23503	Digital Services & Security	$8,000.00
Lake Community	15942	Counselor Certification	$5,000.00
Lake Huron	61638	Counselor Certification	$2,825.00
Lanai	2953	Counselor Certification	$5,000.00
Lower East Side People's	24232	Digital Services & Security	$8,000.00
Lower East Side People's	24232	Underserved Outreach	$100,000.00
Meritus	9643	Counselor Certification	$5,000.00

Appendix 2: 2019 Minority Depository Institution Grant Recipients

Credit Union Name	Charter Number	Initiative	Amount
Mint Valley	1827	Counselor Certification	$5,000.00
Montgomery County Employees	18917	Counselor Certification	$5,000.00
Natco	65208	Digital Services & Security	$5,600.00
Natco	65208	Underserved Outreach	$100,000.00
New Generations	6878	Training	$5,000.00
Northumberland County Schools	11242	Digital Services & Security	$8,000.00
Nova	63425	Counselor Certification	$5,000.00
Nueva Esperanza Community	68603	Training	$5,000.00
Ontario Montclair School Employees	14542	Counselor Certification	$5,000.00
Oswego County	21927	Counselor Certification	$1,900.00
Pacific Crest	960	Counselor Certification	$2,400.00
Peninsula Community	665	Counselor Certification	$5,000.00
Peoples Advantage	17464	Training	$5,000.00
Peoples Advantage	17464	Underserved Outreach	$97,700.00
Phenix Pride	13852	Digital Services & Security	$8,000.00
Questa	66252	Training	$4,800.00
River City	926	Counselor Certification	$5,000.00
Rockland Employees	15080	Digital Services & Security	$8,000.00
Select	3064	Training	$5,000.00
Southern Chautauqua	9107	Counselor Certification	$5,000.00
Southern Teachers & Parents	2068	MDI Mentoring	$25,000.00
St. Josephs Canton Parish	4884	Training	$5,000.00
Tampa Bay	352	Counselor Certification	$5,000.00
Tampa Bay	352	Underserved Outreach	$56,042.00
Unified Homeowners Of Illinois	24767	Digital Services & Security	$8,000.00
Union Baptist Church	24781	Digital Services & Security	$8,000.00
United	60041	Counselor Certification	$5,000.00
Urw Community	19867	Training	$5,000.00
Usc	68459	Counselor Certification	$5,000.00
White Earth Reservation	17749	Training	$5,000.00

Appendix 3: Minority Depository Institutions by State

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Southern	64232	1St Resource	Birmingham	AL	$39,459,468	Black Americans	2,294	Yes
Southern	64603	Alabama Law Enforcement Credit Union	Birmingham	AL	$15,534,886	Black Americans	2,021	Yes
Southern	13018	Clarke Community	Grove Hill	AL	$2,480,560	Black Americans	701	Yes
Southern	9554	Councill	Normal	AL	$2,841,945	Black Americans	575	Yes
Southern	17311	Demopolis	Demopolis	AL	$694,316	Black Americans	642	Yes
Southern	64594	Fireman's	Birmingham	AL	$6,377,866	Black Americans	905	No
Southern	22131	Fogce	Eutaw	AL	$1,375,263	Black Americans	781	Yes
Southern	12837	Marvel City	Bessemer	AL	$6,960,647	Black Americans	1,014	Yes
Southern	16858	New Pilgrim	Birmingham	AL	$1,467,538	Black Americans	562	Yes
Southern	24583	Nrs Community Development	Birmingham	AL	$778,842	Black Americans	614	Yes
Southern	13852	Phenix Pride	Phenix City	AL	$10,760,618	Black Americans	2,010	Yes
Southern	11422	Progressive	Mobile	AL	$5,577,230	Black Americans	655	Yes
Southern	15938	Sixth Avenue Baptist	Birmingham	AL	$4,179,377	Black Americans	899	Yes
Southern	64464	Tuscaloosa County	Tuscaloosa	AL	$10,735,702	Black Americans	1,584	Yes
Southern	2791	Tuskegee	Tuskegee	AL	$7,726,209	Asian Americans, Black Americans, Hispanic Americans, Native Americans	2,255	Yes
Southern	6311	Tvh	Tuskegee	AL	$4,879,470	Black Americans	683	Yes
Southern	7700	Arkansas Am & N College	Pine Bluff	AR	$2,202,915	Black Americans	1,063	Yes
Southern	23170	Arkansas Education Association	Little Rock	AR	$6,728,442	Black Americans	2,188	Yes
Southern	24433	Arkansas Teachers	LIttle Rock	AR	$1,457,212	Black Americans	516	Yes
Western	4915	A. E. A.	Yuma	AZ	$254,727,779	Hispanic Americans	32,163	Yes
Western	61451	Jacl	Glendale	AZ	$474,292	Asian Americans	160	No
Western	9897	Southeastern Arizona	Douglas	AZ	$33,258,397	Hispanic Americans	5,536	Yes

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Western	68027	1St Valley	San Bernardino	CA	$40,455,803	Asian Americans, Black Americans, Hispanic Americans, Native Americans	3,268	Yes
Western	65113	Allus	Salinas	CA	$43,955,654	Hispanic Americans	4,214	No
Western	14739	Cal Poly	Pomona	CA	$14,420,634	Asian Americans, Black Americans, Hispanic Americans, Native Americans	2,767	Yes
Western	18623	Calcom	Long Beach	CA	$64,504,320	Asian Americans, Hispanic Americans	7,395	Yes
Western	21417	Calvary Baptist Of Pacoima	San Fernando	CA	$109,731	Black Americans	188	Yes
Western	4633	Camino	Montebello	CA	$148,208,286	Hispanic Americans	12,829	Yes
Western	24776	Comunidad Latina	Santa Ana	CA	$5,529,936	Hispanic Americans	1,415	Yes
Western	4900	Cooperative Center	Berkeley	CA	$120,258,496	Asian Americans, Black Americans, Hispanic Americans, Native Americans	8,474	Yes
Western	13254	Corrections	Soledad	CA	$17,441,847	Asian Americans, Black Americans, Hispanic Americans, Native Americans	2,476	Yes
Western	24506	Episcopal Community	Los Angeles	CA	$5,528,830	Asian Americans, Black Americans, Hispanic Americans	1,256	Yes
Western	68356	First Imperial	El Centro	CA	$127,232,418	Hispanic Americans	19,300	Yes
Western	7557	Glendale	Glendale	CA	$82,494,643	Asian Americans, Black Americans, Hispanic Americans, Native Americans	7,401	No
Western	24549	Hanin	Los Angeles	CA	$31,387,241	Asian Americans	4,319	Yes
Western	63589	Jacom	Los Angeles	CA	$70,293,964	Asian Americans	8,736	No
Western	64892	Jones Methodist Church	San Francisco	CA	$356,371	Black Americans	284	No
Western	20720	L. A. Mission	San Fernando	CA	$7,536,044	Hispanic Americans	1,140	Yes
Western	17841	Limoneira	Santa Paula	CA	$5,089,896	Hispanic Americans	686	Yes

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Western	1207	Los Angeles	Glendale	CA	$989,958,195	Asian Americans, Black Americans, Hispanic Americans	68,716	No
Western	16570	Los Angeles Lee	Los Angeles	CA	$555,512	Asian Americans	67	Yes
Western	10648	Maryknoll Of L A	Los Angeles	CA	$1,070,835	Asian Americans	165	No
Western	65059	Nikkei	Gardena	CA	$72,210,690	Asian Americans	4,695	No
Western	68463	North County	San Diego	CA	$66,852,414	Asian Americans, Black Americans, Hispanic Americans, Native Americans	4,578	No
Western	23780	Northeast Community	San Francisco	CA	$9,114,305	Asian Americans	1,206	Yes
Western	15784	Novo	Norco	CA	$10,472,503	Hispanic Americans	2,196	No
Western	14542	Ontario Montclair School Employees	Ontario	CA	$118,438,280	Hispanic Americans	9,459	Yes
Western	10767	Peoples Ind Church	Los Angeles	CA	$50,322	Black Americans	98	Yes
Western	60024	Priority One	South Pasadena	CA	$160,524,399	Asian Americans, Black Americans, Hispanic Americans	17,700	No
Western	64576	San Fernando Valley Japanese	Northridge	CA	$798,142	Asian Americans	209	No
Western	16547	San Francisco Lee	San Francisco	CA	$11,690,534	Asian Americans	1,103	Yes
Western	24520	Santa Ana	Santa Ana	CA	$75,065,804	Asian Americans, Black Americans, Hispanic Americans, Native Americans	6,023	Yes
Western	3526	Schools	Torrance	CA	$127,659,268	Asian Americans, Black Americans, Hispanic Americans, Native Americans	14,129	Yes
Western	7617	Sequoia	Redwood City	CA	$34,153,572	Asian Americans, Black Americans, Hispanic Americans	1,726	No
Western	9296	Sun Community	El Centro	CA	$454,431,248	Hispanic Americans	38,643	Yes
Western	4393	Sunkist Employees	Valencia	CA	$5,266,488	Asian Americans, Black Americans, Hispanic Americans	660	Yes

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Western	8230	Technicolor	Burbank	CA	$89,930,721	Asian Americans, Black Americans, Hispanic Americans	4,635	No
Western	3218	Tulare County	Tulare	CA	$100,700,593	Asian Americans, Hispanic Americans	9,819	Yes
Western	21532	U.p.s. Employees	Ontario	CA	$36,974,606	Black Americans, Hispanic Americans	5,338	No
Western	327	Union Pacific California Emp	Fullerton	CA	$8,839,186	Asian Americans, Black Americans, Hispanic Americans, Native Americans	1,695	No
Western	68459	Usc	Los Angeles	CA	$592,035,693	Asian Americans, Black Americans, Hispanic Americans	77,191	Yes
Western	61085	Utility District	Oakland	CA	$32,576,787	Asian Americans, Black Americans, Hispanic Americans	2,470	No
Western	18454	Valley Hills	San Bernardino	CA	$3,559,599	Asian Americans, Black Americans, Hispanic Americans	436	Yes
Western	9255	Western States Regional	Los Angeles	CA	$830,764	Hispanic Americans	292	Yes
Western	65471	Guadalupe Parish	Antonito	CO	$29,527,288	Hispanic Americans	2,984	Yes
Western	16476	Nuvista	Montrose	CO	$90,026,121	Hispanic Americans	6,949	Yes
Western	1499	Pueblo Government Agencies	Pueblo	CO	$34,830,555	Hispanic Americans	3,364	Yes
Western	63468	Valley Educators	Alamosa	CO	$5,216,510	Hispanic Americans	1,050	Yes
Eastern	6733	Cencap	Hartford	CT	$40,616,340	Black Americans, Hispanic Americans	10,453	Yes
Eastern	23411	Connecticut	North Haven	CT	$7,668,923	Black Americans, Hispanic Americans	1,516	Yes
Eastern	1863	Connecticut Transit	Hartford	CT	$1,033,889	Black Americans, Hispanic Americans	649	Yes
Eastern	23896	East End Baptist Tabernacle	Bridgeport	CT	$132,905	Black Americans	365	Yes

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Eastern	10845	Faith Tabernacle Baptist	Stamford	CT	$132,617	Black Americans	213	Yes
Eastern	21614	First Baptist Church (Stratford)	Stratford	CT	$262,558	Black Americans	238	Yes
Eastern	19	New Haven Teachers	New Haven	CT	$9,002,525	Black Americans, Hispanic Americans	1,389	No
Eastern	3790	Science Park	New Haven	CT	$4,116,653	Black Americans	756	Yes
Eastern	5227	Asbury	Washington	DC	$337,578	Black Americans	211	Yes
Eastern	6088	D C Fire Department	Washington	DC	$7,551,210	Black Americans	1,637	No
Eastern	16411	DC	Washington	DC	$65,132,228	Black Americans, Hispanic Americans	11,359	Yes
Eastern	1821	District Of Columbia Teachers	Washington	DC	$46,274,192	Black Americans	4,730	Yes
Eastern	538	Government Printing Office	Washington	DC	$30,964,270	Black Americans	4,142	Yes
Eastern	648	Howard University Employees	Washington	DC	$9,508,738	Black Americans	1,372	Yes
Eastern	4037	Hud	Washington	DC	$45,401,102	Black Americans	5,110	Yes
Eastern	14176	Idb Global	Washington	DC	$586,632,222	Hispanic Americans	11,211	No
Eastern	22323	John Wesley Ame Zion Church	Washington	DC	$73,946	Black Americans	135	No
Eastern	15174	Lee	Washington	DC	$8,602,673	Asian Americans	410	No
Eastern	266	Library Of Congress	Washington	DC	$261,483,526	Black Americans	9,932	No
Eastern	6506	Mt Gilead	Washington	DC	$62,510	Black Americans	62	Yes
Eastern	24219	Mt. Airy Baptist Church	Washington	DC	$1,161,101	Black Americans	380	Yes
Eastern	22686	Napfe	Washington	DC	$2,621,294	Black Americans	522	No
Eastern	6464	Paho/Who	Washington	DC	$234,906,894	Hispanic Americans	5,881	No
Eastern	24073	Paramount Baptist Church	Washington	DC	$145,885	Black Americans	400	No
Eastern	24262	Phi Beta Sigma	Washington	DC	$595,364	Black Americans, Native Americans	830	Yes
Eastern	9613	Sargent	Washington	DC	$311,980	Black Americans	400	Yes
Eastern	17874	St. Gabriels	Washington	DC	$500,182	Black Americans	131	No
Eastern	9384	Washington Typographic	Washington	DC	$1,573,575	Black Americans	293	No
Eastern	24845	Stepping Stones Community	Wilmington	DE	$2,229,562	Black Americans, Hispanic Americans	774	Yes

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Southern	14391	Baptist Health South Florida	Miami	FL	$65,381,616	Black Americans, Hispanic Americans	11,625	Yes
Southern	1068	Compass Financial	Hialeah	FL	$19,661,084	Black Americans, Hispanic Americans	2,434	Yes
Southern	187	Florida A & M University	Tallahassee	FL	$20,242,485	Black Americans	3,433	Yes
Southern	7534	Hialeah Municipal Employees	Hialeah	FL	$11,656,159	Black Americans, Hispanic Americans	1,553	Yes
Southern	67341	Jefferson County Teachers	Monticello	FL	$11,288,211	Black Americans	1,068	No
Southern	24718	Jetstream	Miami Lakes	FL	$192,010,098	Black Americans, Hispanic Americans, Native Americans	17,649	Yes
Southern	67630	Madison Education Assoc.	Madison	FL	$6,164,547	Black Americans	844	No
Southern	16834	Town Of Palm Beach	West Palm Beach	FL	$2,247,271	Black Americans	379	Yes
Southern	67505	1St Choice	Atlanta	GA	$25,189,915	Black Americans	8,114	Yes
Southern	24546	Big Bethel A.m.e. Church	Atlanta	GA	$313,223	Black Americans	251	Yes
Southern	67383	Credit Union Of Atlanta	Atlanta	GA	$66,604,583	Black Americans	16,398	No
Southern	9527	F A B Church	Savannah	GA	$261,732	Black Americans	256	Yes
Southern	67688	Macon-Bibb Employees Credit Union	Macon	GA	$3,407,568	Black Americans	1,324	No
Southern	24234	Omega Psi Phi Fraternity	Toccoa	GA	$1,957,589	Black Americans	1,336	Yes
Southern	24631	Platinum	Duluth	GA	$126,445,123	Asian Americans	9,524	No
Southern	67364	Savannah Postal	Savannah	GA	$19,092,467	Black Americans	2,175	No
Southern	6582	Savastate Teachers	Savannah	GA	$2,854,723	Black Americans	769	Yes
Southern	20890	Stephens County Community	Toccoa	GA	$148,304	Black Americans	114	Yes
Southern	14103	Tabernacle	Augusta	GA	$206,138	Black Americans	137	Yes
Southern	24683	United Neighborhood	Augusta	GA	$2,529,289	Black Americans	800	Yes
Western	1845	Aloha Pacific	Honolulu	HI	$968,339,609	Asian Americans	62,423	No
Western	1607	Big Island	Hilo	HI	$114,093,801	Asian Americans	9,917	Yes
Western	24630	Cu Hawaii	Hilo	HI	$298,363,287	Asian Americans	27,472	Yes
Western	1987	Ewa	Ewa Beach	HI	$12,864,225	Asian Americans	1,727	Yes
Western	12613	Glover	Honolulu	HI	$3,739,180	Asian Americans	242	Yes

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Western	2280	Hamakua	Pepeekeo	HI	$16,368,352	Asian Americans	1,622	Yes
Western	24839	Hawaii Central	Honolulu	HI	$298,719,551	Asian Americans	18,151	No
Western	1784	Hawaii County Employees	Hilo	HI	$100,323,520	Asian Americans, Native Americans	5,894	Yes
Western	10938	Hawaii First	Kamuela	HI	$38,490,335	Native Americans	8,278	Yes
Western	1870	Hawaii Law Enforcement	Honolulu	HI	$181,019,649	Asian Americans	14,690	No
Western	1785	Hawaii Schools	Honolulu	HI	$63,718,834	Asian Americans	4,045	Yes
Western	1869	Hawaiian Electric Employees	Honolulu	HI	$32,644,667	Asian Americans	2,019	Yes
Western	1717	Hawaiian Financial	Honolulu	HI	$673,241,623	Asian Americans	60,949	No
Western	1815	Hawaiiusa	Honolulu	HI	$1,754,571,447	Asian Americans, Black Americans, Hispanic Americans, Native Americans	129,652	No
Western	7594	Honea	Fort Shafter	HI	$20,174,212	Asian Americans	778	Yes
Western	1830	Honolulu	Honolulu	HI	$269,131,570	Asian Americans	17,362	No
Western	9115	Hotel And Travel Industry	Honolulu	HI	$37,607,839	Asian Americans	5,258	Yes
Western	2275	Kahuku	Kahuku	HI	$5,788,083	Asian Americans	1,823	Yes
Western	10399	Kahului	Kahului	HI	$60,369,507	Asian Americans	4,173	Yes
Western	11553	Kamehameha	Honolulu	HI	$37,923,315	Asian Americans	4,016	No
Western	5487	Kauai Government Employees	Lihue	HI	$120,940,384	Black Americans, Hispanic Americans	7,202	Yes
Western	11494	Kuakini Medical And Dental	Honolulu	HI	$43,214,688	Asian Americans	2,366	Yes
Western	2953	Lanai	Lanai City	HI	$29,075,608	Asian Americans	1,827	Yes
Western	10882	Local Union 1186 Ibew	Honolulu	HI	$14,506,139	Native Americans	1,131	No
Western	2562	Maui	Kahului	HI	$101,454,150	Asian Americans	7,535	No
Western	1817	Maui Teachers	Wailuku	HI	$32,564,154	Asian Americans	1,611	Yes
Western	2713	Mcbryde	Eleele	HI	$98,802,572	Asian Americans	3,422	Yes
Western	7471	Molokai Community	Kaunakakai	HI	$26,933,212	Native Americans	4,241	Yes
Western	24830	Oahu	Honolulu	HI	$48,802,168	Asian Americans	3,753	No
Western	1961	Pearl Hawaii	Waipahu	HI	$376,378,182	Asian Americans	29,628	Yes
Western	9719	St. Francis Medical Center	Honolulu	HI	$9,719,040	Asian Americans	1,134	No
Western	10465	University Of Hawaii	Honolulu	HI	$660,944,460	Asian Americans	30,400	No

Appendix 3: Minority Depository Institutions by State

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Western	3574	Valley Isle Community	Kahului	HI	$119,493,131	Asian Americans, Black Americans, Hispanic Americans	13,226	Yes
Western	2049	Waialua	Waialua	HI	$47,987,147	Asian Americans, Native Americans	3,216	Yes
Western	9924	Wailuku	Kahului	HI	$64,828,503	Asian Americans	4,730	Yes
Western	2505	77Th Street Depot	Chicago	IL	$18,435,482	Black Americans, Hispanic Americans	4,530	Yes
Western	66089	Berean	Chicago	IL	$135,911	Black Americans	241	Yes
Western	18882	C T A F C	Chicago	IL	$842,166	Black Americans	423	Yes
Western	68472	Canaan	Urbana	IL	$324,088	Black Americans	185	Yes
Western	2495	Chicago Avenue Garage	Chicago	IL	$4,976,853	Black Americans	684	Yes
Western	65932	Chicago Municipal Employees	Chicago	IL	$38,594,790	Black Americans, Hispanic Americans	12,350	Yes
Western	7256	Community	Chicago	IL	$223,179	Black Americans	203	Yes
Western	13533	Cta South	Chicago	IL	$1,217,688	Black Americans	844	Yes
Western	2498	Cta-74Th Street Depot	Chicago	IL	$9,143,158	Black Americans	644	Yes
Western	61448	Ethicon Suture	Chicago	IL	$1,172,527	Black Americans, Hispanic Americans	522	No
Western	64252	Fellowship Baptist Church	Chicago	IL	$464,469	Black Americans	412	Yes
Western	24614	Gideon	Waukegan	IL	$273,845	Black Americans	303	Yes
Western	66300	Imperial	Springfield	IL	$50,172	Black Americans	213	Yes
Western	15673	Israel Methcomm	Chicago	IL	$1,334,198	Black Americans	222	Yes
Western	24123	M.w.p.h. Grand Lodge Of Illinois	Chicago	IL	$485,779	Black Americans	422	Yes
Western	2370	Metropolitan "L"	Oak Park	IL	$7,823,802	Black Americans	1,609	Yes
Western	67024	Mt. Zion	Zion	IL	$231,266	Black Americans	237	Yes
Western	2467	Northside L	Broadview	IL	$5,038,972	Black Americans	1,224	Yes
Western	60923	Park Manor Christian Church	Chicago	IL	$998,685	Black Americans	278	Yes
Western	65231	Pilgrim Baptist	Chicago	IL	$358,263	Black Americans	178	Yes
Western	15240	Resurrection Lutheran	Chicago	IL	$207,277	Black Americans	89	Yes
Western	15812	Shiloh Baptist	Waukegan	IL	$195,957	Black Americans	149	Yes
Western	15454	Shiloh Englewood	Chicago	IL	$248,491	Black Americans	145	Yes
Western	24704	South Side Community	Chicago	IL	$4,350,099	Black Americans	1,500	Yes
Western	66296	St. Helena Parish	Chicago	IL	$174,430	Black Americans	163	Yes

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Western	61566	St. Mark	Chicago	IL	$507,985	Black Americans	262	Yes
Western	14058	St. Martin De Porres Parish	Chicago	IL	$306,550	Black Americans	165	Yes
Western	23245	Trinity U.c.c.	Chicago	IL	$3,033,519	Black Americans	792	Yes
Western	24767	Unified Homeowners Of Illinois	Chicago	IL	$463,160	Hispanic Americans	289	Yes
Southern	20793	Financial Health	Indianapolis	IN	$29,095,004	Black Americans, Hispanic Americans	10,297	Yes
Southern	169	Gary Firefighters Association	Gary	IN	$2,073,634	Black Americans	354	Yes
Southern	16126	Gary Municipal Employees	Gary	IN	$477,439	Black Americans	145	Yes
Southern	3251	Gary Police Department Employees	Gary	IN	$1,632,855	Black Americans	218	No
Southern	15757	Mt Zion Indianapolis	Indianapolis	IN	$596,358	Black Americans	295	Yes
Southern	2711	Profinance	Merrillville	IN	$14,540,135	Black Americans	1,638	Yes
Southern	6204	River Bend	South Bend	IN	$5,296,484	Black Americans, Hispanic Americans	868	Yes
Southern	24781	Union Baptist Church	Fort Wayne	IN	$144,148	Black Americans	295	Yes
Southern	23899	A M E Church	Baton Rouge	LA	$91,474	Black Americans	305	Yes
Southern	19985	Arabi Sugar Workers	New Orleans	LA	$1,567,168	Black Americans	259	Yes
Southern	11658	Avenue Baptist Brotherhood	Shreveport	LA	$554,205	Black Americans	152	Yes
Southern	11782	Bayou Community	Saint Gabriel	LA	$13,635,885	Black Americans	1,430	Yes
Southern	15589	Caddo Parish Teachers	Shreveport	LA	$14,131,808	Black Americans	3,451	Yes
Southern	65780	Cogic	Lafayette	LA	$346,094	Black Americans	362	Yes
Southern	17396	Concordia Parish School Emp	Ferriday	LA	$2,902,715	Black Americans	1,430	Yes
Southern	7253	East Baton Rouge Teachers	Baton Rouge	LA	$3,930,743	Black Americans	2,077	Yes
Southern	15588	G G W	New Orleans	LA	$762,519	Black Americans	199	Yes
Southern	4416	Iberia Parish	New Iberia	LA	$302,204	Black Americans	271	Yes
Southern	12356	Iberville	Plaquemine	LA	$5,782,415	Black Americans	2,508	Yes
Southern	63143	Immaculate Heart Of Mary	Lafayette	LA	$721,363	Black Americans	373	Yes
Southern	14537	James Ward, Jr.	Jennings	LA	$2,022,953	Black Americans	461	Yes

Appendix 3: Minority Depository Institutions by State

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Southern	21998	Northwest Louisiana	Shreveport	LA	$9,745,346	Black Americans	1,128	Yes
Southern	66259	Orleans Parish Sheriff's	New Orleans	LA	$4,994,436	Black Americans	873	No
Southern	62148	Postal	Baton Rouge	LA	$24,338,380	Black Americans	2,771	No
Southern	12225	Rapides	Alexandria	LA	$6,026,824	Black Americans	1,040	Yes
Southern	13248	S H P E	Greensburg	LA	$3,137,144	Black Americans	1,275	Yes
Southern	15089	S T S P	Lacombe	LA	$713,320	Black Americans	348	Yes
Southern	2056	Sewerage & Water Board Employees	New Orleans	LA	$6,910,431	Black Americans, Native Americans	1,704	Yes
Southern	5839	Southeast Louisiana Veterans Health	New Orleans	LA	$1,909,508	Black Americans	955	Yes
Southern	2068	Southern Teachers & Parents	Baton Rouge	LA	$28,223,328	Black Americans	4,421	Yes
Southern	22417	St. Mary Parish School Emp.	Franklin	LA	$423,908	Black Americans	293	Yes
Southern	18462	T E A	Houma	LA	$2,120,077	Black Americans	821	Yes
Southern	20550	Teamsters Local Union #270	New Orleans	LA	$751,669	Black Americans	511	No
Southern	22581	Total Community Action	New Orleans	LA	$935,891	Black Americans	586	Yes
Southern	22219	U B C Southern Council Industria Wo	Minden	LA	$711,079	Black Americans	388	Yes
Southern	7301	Union	Farmerville	LA	$677,796	Black Americans	655	Yes
Southern	12735	W B R T	Port Allen	LA	$2,322,315	Black Americans	1,058	Yes
Southern	16256	Washington Educational Assoc	Franklinton	LA	$950,883	Black Americans	386	Yes
Southern	11928	Webster United	Minden	LA	$3,714,190	Black Americans	1,271	Yes
Southern	23607	West Jefferson	Marrero	LA	$5,938,917	Black Americans	1,632	No
Southern	12748	Xavier University	New Orleans	LA	$1,695,744	Black Americans	397	Yes
Eastern	24043	Messiah Baptist-Jubilee	Brockton	MA	$891,032	Black Americans	336	Yes
Eastern	16383	New England Lee	Boston	MA	$2,930,420	Asian Americans	273	No
Eastern	5754	Andrews Federal Credit Union	Suitland	MD	$2,060,114,066	Black Americans	133,244	Yes
Eastern	22652	Capital Area Taiwanese	Boyds	MD	$12,684,234	Asian Americans	534	No
Eastern	22700	Korean Catholic	Olney	MD	$2,095,161	Asian Americans	329	No
Eastern	24246	Mt. Jezreel	Silver Spring	MD	$230,417	Black Americans	451	Yes

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Eastern	66787	Municipal Empl. credit Union Of Balt	Baltimore	MD	$1,197,660,345	Black Americans	109,430	Yes
Eastern	24657	None Suffer Lack	Suitland	MD	$21,994,034	Black Americans	2,550	Yes
Eastern	18271	Prince George's Community	Bowie	MD	$187,631,207	Black Americans, Hispanic Americans	16,557	Yes
Eastern	2769	Securityplus	Baltimore	MD	$393,621,480	Black Americans	34,619	Yes
Eastern	20038	The Mount Lebanon	Baltimore	MD	$455,864	Black Americans	332	Yes
Eastern	3764	Transit Employees	Greenbelt	MD	$98,656,700	Black Americans	12,966	Yes
Eastern	16268	W S S C	Laurel	MD	$28,395,481	Black Americans	4,066	Yes
Eastern	9603	Wor Co	Pocomoke City	MD	$2,271,071	Black Americans	641	No
Eastern	5885	A.b.d.	Warren	MI	$69,376,769	Black Americans	10,671	Yes
Eastern	62177	Bethel Baptist Church East	Detroit	MI	$799,401	Black Americans	222	Yes
Eastern	62324	Greater New Mt. Moriah Baptist Chrh	Detroit	MI	$338,045	Black Americans	195	No
Eastern	62167	I.m. Detroit District	Detroit	MI	$1,394,754	Black Americans	429	No
Eastern	24030	New Rising Star	Detroit	MI	$107,517	Black Americans	151	Yes
Eastern	61495	One Detroit	Detroit	MI	$40,072,641	Black Americans	12,356	Yes
Eastern	7628	Southeast Michigan State Employees	Southfield	MI	$37,421,626	Black Americans	4,002	Yes
Eastern	4787	Tandem	Warren	MI	$22,218,310	Black Americans, Hispanic Americans	2,847	Yes
Western	24852	Northern Eagle	Nett Lake	MN	$748,863	Native Americans	712	Yes
Western	24539	Transit Operations	Minneapolis	MN	$4,550,162	Asian Americans, Black Americans, Hispanic Americans	744	Yes
Western	17749	White Earth Reservation	Mahnomen	MN	$1,763,211	Native Americans	1,408	Yes
Western	4531	Guadalupe Centers	Kansas City	MO	$4,097,674	Hispanic Americans	1,675	Yes
Western	63388	Kansas City	Kansas City	MO	$36,368,264	Black Americans	6,305	Yes
Western	60400	St. Louis Community	Saint Louis	MO	$298,371,378	Black Americans	61,250	Yes
Western	67744	Union Memorial	Wentzville	MO	$90,932	Black Americans	131	Yes
Western	21683	West Side Baptist Church	St. Louis	MO	$312,495	Black Americans	393	Yes
Southern	22314	Choctaw	Choctaw	MS	$2,541,079	Native Americans	1,918	Yes

Appendix 3: Minority Depository Institutions by State

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Southern	17715	Citizens Choice	Natchez	MS	$1,047,363	Black Americans	562	Yes
Southern	9567	Commfirst	Jackson	MS	$11,650,180	Black Americans	2,318	Yes
Southern	24859	First Unity	McComb	MS	$6,545,400	Black Americans	2,520	Yes
Southern	14193	Forrest County Teachers	Hattiesburg	MS	$238,273	Black Americans	281	Yes
Southern	5930	Healthplus	Jackson	MS	$6,502,910	Black Americans	2,553	Yes
Southern	24829	Hope	Jackson	MS	$307,051,396	Black Americans	50,381	Yes
Southern	19253	Issaquena County	Mayersville	MS	$1,230,086	Black Americans	471	Yes
Southern	8445	Jackson Area	Jackson	MS	$78,674,891	Black Americans	14,221	Yes
Southern	7684	Jpfce	Jackson	MS	$1,120,420	Black Americans	203	Yes
Southern	8433	Meridian Mutual	Meridian	MS	$41,105,765	Black Americans	6,388	Yes
Southern	24884	Mid Delta	Indianola	MS	$1,856,658	Black Americans	1,406	Yes
Southern	63442	Mississippi Public Employees	Jackson	MS	$24,218,856	Black Americans	6,334	Yes
Southern	24896	Natchez Educators	Natchez	MS	$1,309,585	Black Americans	515	Yes
Southern	9974	Shelby/Bolivar County	Boyle	MS	$2,717,113	Black Americans	1,961	Yes
Southern	16590	Twin States	Columbus	MS	$7,478,807	Black Americans	1,853	Yes
Western	15375	Wolf Point	Wolf Point	MT	$14,803,418	Native Americans	2,866	Yes
Southern	68593	First Legacy Community	Charlotte	NC	$29,330,614	Black Americans	7,945	Yes
Southern	64034	Greater Kinston	Kinston	NC	$11,624,191	Black Americans	5,564	Yes
Southern	63595	Mount Vernon Baptist Church	Durham	NC	$160,181	Black Americans	311	No
Southern	24802	Self-Help	Durham	NC	$1,205,557,507	Black Americans, Hispanic Americans	82,300	Yes
Southern	19826	Shaw University	Raleigh	NC	$388,376	Black Americans	146	Yes
Eastern	4738	Atlantic County Nj Employees	Northfield	NJ	$2,292,207	Asian Americans, Black Americans, Hispanic Americans	579	No
Eastern	15139	Bergen Division	Toms River	NJ	$11,961,724	Black Americans, Hispanic Americans	1,508	No
Eastern	6015	Camden Police	Camden	NJ	$643,091	Black Americans, Hispanic Americans	254	Yes
Eastern	62855	Division 819 Transit Employees	Irvington	NJ	$15,002,155	Black Americans	1,799	No
Eastern	22344	Empire Financial	Jackson	NJ	$565,728	Black Americans, Hispanic Americans	239	Yes

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Eastern	112	Essex County Nj Employees	Newark	NJ	$6,524,087	Black Americans, Hispanic Americans	1,942	Yes
Eastern	15513	Fort Dix	Joint Base MDL	NJ	$6,776,119	Black Americans	916	No
Eastern	23678	Goya Foods Employees	Jersey City	NJ	$12,382,063	Hispanic Americans	850	No
Eastern	23615	Heard A.m.e.	Roselle	NJ	$206,301	Black Americans	226	Yes
Eastern	10803	Israel Memorial A M E	Newark	NJ	$343,281	Black Americans	179	No
Eastern	7184	Liberty Savings	Jersey City	NJ	$95,455,391	Asian Americans, Black Americans, Hispanic Americans	21,078	Yes
Eastern	20773	Local 1233	Newark	NJ	$11,201,051	Black Americans	767	Yes
Eastern	1546	Mercer County Improvement Authority	Hamilton	NJ	$453,887	Black Americans	196	Yes
Eastern	21440	Messiah Baptist Church	East Orange	NJ	$238,989	Black Americans	157	Yes
Eastern	9723	N.j.t. Employees	Waldwick	NJ	$17,403,620	Black Americans, Hispanic Americans	1,273	No
Eastern	22449	Nestle (Freehold) Employees	Freehold	NJ	$2,303,387	Asian Americans, Black Americans, Hispanic Americans, Native Americans	228	No
Eastern	24167	New Community	Newark	NJ	$3,112,716	Black Americans, Hispanic Americans	3,633	Yes
Eastern	62796	Newark Board Of Education Employees	Newark	NJ	$24,992,184	Asian Americans, Black Americans	3,639	Yes
Eastern	66159	Newark Post Office Employees	Newark	NJ	$2,663,734	Black Americans	1,235	No
Eastern	1015	North Jersey	Totowa	NJ	$215,283,481	Asian Americans, Black Americans, Hispanic Americans	24,100	Yes
Eastern	5987	Ocnac #1	Jersey City	NJ	$6,535,566	Black Americans, Hispanic Americans	2,521	Yes
Eastern	12227	Passaic Police	Passaic	NJ	$7,869,724	Hispanic Americans	620	Yes
Eastern	2892	Plainfield Police & Firemen's	Plainfield	NJ	$2,509,545	Black Americans, Hispanic Americans	511	No
Eastern	24115	St. Andrew Kim	Maplewood	NJ	$1,070,078	Asian Americans	212	No

Appendix 3: Minority Depository Institutions by State

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Western	62841	Belen Railway Employees	Belen	NM	$37,724,579	Hispanic Americans, Native Americans	2,397	Yes
Western	66097	Cuba	Cuba	NM	$16,685,977	Hispanic Americans, Native Americans	1,792	Yes
Western	1838	Fort Bayard	Santa Clara	NM	$4,659,073	Hispanic Americans	1,250	Yes
Western	16754	Four Corners	Kirtland	NM	$18,446,399	Native Americans	5,477	Yes
Western	66149	Guadalupe	Santa Fe	NM	$183,020,690	Hispanic Americans	21,818	Yes
Western	4805	Northern New Mexico School Employee	Santa Fe	NM	$23,397,704	Hispanic Americans, Native Americans	1,767	Yes
Western	66252	Questa	Questa	NM	$10,767,097	Hispanic Americans	1,464	Yes
Western	61946	Rincones Presbyterian	Chacon	NM	$4,443,282	Hispanic Americans	789	Yes
Western	62573	Rio Grande	Albuquerque	NM	$344,781,835	Asian Americans, Black Americans, Hispanic Americans, Native Americans	34,601	Yes
Western	964	Southwest	Albuquerque	NM	$65,848,377	Asian Americans, Hispanic Americans, Native Americans	4,975	No
Western	65513	State Employees	Santa Fe	NM	$636,267,686	Hispanic Americans, Native Americans	47,330	Yes
Western	7999	Telco Roswell New Mexico	Roswell	NM	$6,978,600	Hispanic Americans	1,042	Yes
Western	808	U.s. Eagle	Albuquerque	NM	$1,069,473,868	Asian Americans, Black Americans, Hispanic Americans, Native Americans	78,091	Yes
Western	60467	Zia	Los Alamos	NM	$148,460,894	Hispanic Americans	11,656	No
Eastern	24670	1199 Seiu	New York City	NY	$73,013,412	Asian Americans, Black Americans, Hispanic Americans	19,964	Yes
Eastern	4170	Abyssinian Baptist Church	New York City	NY	$881,034	Black Americans	302	Yes
Eastern	8950	All Souls	New York City	NY	$174,861	Black Americans	149	Yes
Eastern	23888	Berea	Brooklyn	NY	$102,075	Black Americans	199	Yes
Eastern	24790	Beulah	Brooklyn	NY	$181,794	Black Americans	126	Yes

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Eastern	24642	Brooklyn Cooperative	Brooklyn	NY	$30,461,264	Asian Americans, Black Americans, Hispanic Americans	7,267	Yes
Eastern	20419	Bykota	Brooklyn	NY	$2,264,283	Black Americans	1,003	Yes
Eastern	5127	Church Of The Master	New York City	NY	$923,198	Black Americans	315	Yes
Eastern	7504	Concord	Brooklyn	NY	$9,433,771	Black Americans	705	Yes
Eastern	63906	Empire Br 36 Natl Assoc Of Le Carr	New York City	NY	$5,028,038	Asian Americans, Black Americans, Hispanic Americans	2,006	No
Eastern	1343	Empirt 207	New York City	NY	$4,395,892	Black Americans, Hispanic Americans	861	No
Eastern	15129	Epiphany	Brooklyn	NY	$89,939	Hispanic Americans	50	Yes
Eastern	24906	Everest	Jackson Heights	NY	$579,450	Asian Americans	284	No
Eastern	4246	Far Rockaway Postal	Far Rockaway	NY	$319,439	Black Americans	82	Yes
Eastern	11380	Fidelis	New York City	NY	$384,359	Black Americans	288	Yes
Eastern	22226	First Baptist Church	East Elmhurst	NY	$313,369	Black Americans	169	Yes
Eastern	19775	Greater Centennial	Mount Vernon	NY	$105,800	Black Americans, Hispanic Americans	122	Yes
Eastern	23503	Korean American Catholics	Flushing	NY	$24,643,265	Asian Americans	1,837	Yes
Eastern	23317	Last	Long Island City	NY	$51,013	Asian Americans, Black Americans, Hispanic Americans	245	Yes
Eastern	24232	Lower East Side People's	New York City	NY	$57,922,140	Black Americans, Hispanic Americans	8,129	Yes
Eastern	20060	N.u.l.	New York City	NY	$229,386	Black Americans	93	Yes
Eastern	24784	New Covenant Dominion	Bronx	NY	$922,682	Black Americans, Hispanic Americans	309	Yes
Eastern	23958	New York University	New York City	NY	$26,054,029	Black Americans, Hispanic Americans	6,957	Yes
Eastern	23658	Paul Quinn	Jamaica	NY	$314,064	Black Americans	162	Yes
Eastern	15080	Rockland Employees	Spring Valley	NY	$38,346,225	Black Americans, Hispanic Americans	7,008	Yes

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Eastern	18528	Saint John A M E	Niagara Falls	NY	$186,087	Black Americans, Hispanic Americans	188	Yes
Eastern	24863	Seneca Nation Of Indians	Irving	NY	$3,648,737	Native Americans	1,951	Yes
Eastern	4441	Sing Sing Employees	Ossining	NY	$9,791,498	Hispanic Americans	1,533	Yes
Eastern	23177	Southern Baptist Church Of New York	New York City	NY	$161,717	Black Americans	99	Yes
Eastern	18858	Spc Brooklyn	Brooklyn	NY	$392,896	Black Americans	336	Yes
Eastern	5263	St. Augustine Presbyterian	Bronx	NY	$99,557	Black Americans, Hispanic Americans	117	Yes
Eastern	21355	St. John United	Buffalo	NY	$1,012,667	Black Americans	1,113	Yes
Eastern	7172	St. Philip's Church	New York City	NY	$1,371,618	Black Americans	367	Yes
Eastern	15067	Transfiguration Parish	Brooklyn	NY	$10,248,874	Hispanic Americans	2,247	Yes
Eastern	21831	Transit	Valley Stream	NY	$14,801,479	Asian Americans, Black Americans, Hispanic Americans	3,572	Yes
Eastern	798	Transit Authority Division B	New York City	NY	$6,231,517	Black Americans, Hispanic Americans	1,790	Yes
Eastern	16790	Union Baptist Greenburgh	White Plains	NY	$529,105	Black Americans	277	Yes
Eastern	5655	Union Congregational	New York City	NY	$257,298	Black Americans	80	Yes
Eastern	3714	University Settlement	New York	NY	$750,849	Asian Americans, Hispanic Americans	178	Yes
Eastern	24823	Urban Upbound	Long Island City	NY	$1,057,371	Black Americans	1,076	Yes
Eastern	24598	Varick Memorial	Uniondale	NY	$165,633	Black Americans	175	Yes
Eastern	63918	Yonkers Postal Employees	Yonkers	NY	$6,741,095	Black Americans, Hispanic Americans	532	No
Eastern	22151	Cleveland Church Of Christ	Cleveland	OH	$277,268	Black Americans	480	Yes
Eastern	66860	Greater Cleveland Community	Cleveland	OH	$7,066,574	Black Americans	2,840	Yes
Eastern	14469	Mahoning Valley	Youngstown	OH	$745,870	Black Americans	430	Yes
Eastern	18562	Mt Zion Woodlawn	Cincinnati	OH	$114,992	Black Americans	180	Yes

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Eastern	68603	Nueva Esperanza Community	Toledo	OH	$2,296,385	Hispanic Americans, Native Americans	821	Yes
Eastern	17555	Steel Valley	Cleveland	OH	$23,099,612	Black Americans, Hispanic Americans	4,400	Yes
Eastern	9189	Toledo Metro	Toledo	OH	$45,797,997	Black Americans	6,252	Yes
Eastern	24578	Toledo Urban	Toledo	OH	$7,403,512	Black Americans	4,240	Yes
Southern	14610	Morning Star	Tulsa	OK	$664,836	Black Americans	413	Yes
Southern	24910	Otoe-Missouria	Red Rock	OK	$1,531,336	Native Americans	258	Yes
Southern	65774	Teachers	Oklahoma City	OK	$6,333,982	Asian Americans, Black Americans, Hispanic Americans, Native Americans	2,482	No
Southern	10283	The Focus	Oklahoma City	OK	$112,768,709	Asian Americans, Black Americans, Hispanic Americans, Native Americans	11,488	Yes
Eastern	24016	Bethany Baptist Christian	Chester	PA	$42,744	Black Americans	70	Yes
Eastern	20354	Hill District	Pittsburgh	PA	$5,613,130	Black Americans	3,289	Yes
Eastern	17269	Holy Trinity Baptist	Philadelphia	PA	$20,392	Black Americans	101	Yes
Eastern	2822	Lancaster Pa Firemen	Lancaster	PA	$644,616	Black Americans, Hispanic Americans	311	Yes
Eastern	24266	M.a.b.c.	Philadelphia	PA	$158,558	Black Americans	174	Yes
Eastern	20839	Morning Star Baptist	Clairton	PA	$375,371	Black Americans	317	Yes
Eastern	16525	Mount Carmel Baptist	Philadelphia	PA	$777,184	Black Americans	254	Yes
Eastern	24853	New Life	Philadelphia	PA	$541,329	Black Americans	475	Yes
Eastern	23556	Paper Converters Local 286/1034	Philadelphia	PA	$1,394,897	Asian Americans, Black Americans, Hispanic Americans	1,576	Yes
Eastern	16728	Pinn Memorial	Philadelphia	PA	$287,365	Black Americans	175	Yes
Eastern	11783	S I Philadelphia	Philadelphia	PA	$223,637	Black Americans	125	Yes
Eastern	19046	St. Pauls	Philadelphia	PA	$116,730	Black Americans	125	Yes
Eastern	17885	Transit Workers	Philadelphia	PA	$18,855,648	Black Americans, Hispanic Americans	4,782	Yes
Eastern	24104	Trouvaille	Philadelphia	PA	$2,269,477	Black Americans, Hispanic Americans	1,223	Yes

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Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Eastern	22007	Wayland Temple Baptist	Philadelphia	PA	$193,505	Black Americans	145	Yes
Eastern	23037	White Rock	Philadelphia	PA	$926,144	Black Americans	135	No
Southern	7347	Borinquen Community	Aguadilla	PR	$14,762,368	Hispanic Americans	1,837	Yes
Southern	7345	Caribe	San Juan	PR	$422,363,127	Hispanic Americans	41,317	Yes
Southern	13785	Glamour	Quebradilles	PR	$3,441,706	Hispanic Americans	1,107	Yes
Southern	13939	Puerto Rico	Caparra	PR	$151,183,430	Hispanic Americans	21,514	Yes
Southern	12771	Puerto Rico Employee Groups	San Juan	PR	$2,771,659	Hispanic Americans	1,035	Yes
Southern	11477	Universal Coop	Rio Grande	PR	$24,481,008	Hispanic Americans	3,182	Yes
Southern	6918	Vapr	San Juan	PR	$207,430,307	Hispanic Americans	20,273	Yes
Southern	13472	Berkeley Community	Moncks Corner	SC	$13,661,625	Black Americans	2,204	Yes
Southern	24623	Brookland	West Columbia	SC	$3,671,000	Black Americans	1,317	Yes
Southern	17655	C O	Charleston	SC	$6,140,052	Black Americans	692	Yes
Southern	10875	Charleston County Teachers	Charleston	SC	$1,572,637	Black Americans	840	Yes
Southern	1397	Edisto	Orangeburg	SC	$22,264,454	Asian Americans, Hispanic Americans, Native Americans	3,857	Yes
Southern	61260	Palmetto Health	Columbia	SC	$71,970,877	Black Americans	12,194	No
Southern	22530	Pee Dee	Florence	SC	$31,589,199	Black Americans	5,681	Yes
Southern	19619	Trinity Baptist Church	Florence	SC	$2,361,669	Black Americans	183	Yes
Western	24847	Lakota	Kyle	SD	$5,440,890	Native Americans	2,936	Yes
Western	23309	Sisseton-Wahpeton	Agency Village	SD	$4,358,284	Native Americans	1,665	Yes
Southern	15433	Memphis Municipal Employees	Memphis	TN	$13,938,645	Black Americans	2,727	Yes
Southern	68135	Metropolitan Teachers	Nashville	TN	$2,553,994	Black Americans	1,658	Yes
Southern	68165	Olivet Baptist	Cordova	TN	$507,615	Black Americans	1,424	No
Southern	68513	Smart Choice	Cleveland	TN	$3,495,980	Black Americans, Hispanic Americans	1,254	Yes
Southern	6667	Tsu	Nashville	TN	$1,377,969	Black Americans	456	Yes

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Southern	67413	A New Direction	Dallas	TX	$15,885,049	Asian Americans, Black Americans, Hispanic Americans	3,214	No
Southern	6178	A+	Austin	TX	$1,710,266,212	Asian Americans, Black Americans, Hispanic Americans, Native Americans	166,559	Yes
Southern	61267	Alamo City	San Antonio	TX	$10,043,199	Hispanic Americans	1,338	Yes
Southern	10843	All Saints Catholic	Fort Worth	TX	$539,901	Hispanic Americans	134	Yes
Southern	68010	Alpine Community	Alpine	TX	$15,434,552	Hispanic Americans	2,087	Yes
Southern	16271	Baker Hughes	Houston	TX	$15,111,686	Black Americans, Hispanic Americans	1,958	No
Southern	15563	Baycel	Bay City	TX	$60,284,349	Hispanic Americans	4,583	Yes
Southern	67574	Beaumont Community	Beaumont	TX	$29,315,173	Black Americans, Hispanic Americans	3,863	No
Southern	24304	Border	Del Rio	TX	$151,823,942	Hispanic Americans	25,222	Yes
Southern	24463	Brentwood Baptist Church	Houston	TX	$1,143,588	Black Americans	865	Yes
Southern	20392	Brownsville City Employees	Brownsville	TX	$6,375,568	Hispanic Americans	1,501	Yes
Southern	16813	Caprock	Lamesa	TX	$31,942,944	Hispanic Americans	3,632	Yes
Southern	67669	City	Dallas	TX	$496,316,323	Asian Americans, Black Americans, Hispanic Americans	36,671	No
Southern	11927	Coastal Community	Galveston	TX	$67,487,729	Black Americans, Hispanic Americans	10,388	Yes
Southern	68482	Coastal Community And Teachers	Corpus Christi	TX	$354,360,950	Hispanic Americans	37,333	Yes
Southern	67963	Corpus Christi Postal Employees	Corpus Christi	TX	$15,306,525	Hispanic Americans	1,917	No
Southern	24532	Covenant Savings	Killeen	TX	$3,547,018	Black Americans	1,456	Yes
Southern	5935	Cowboy Country	Premont	TX	$16,374,322	Hispanic Americans	2,301	Yes
Southern	66366	Edinburg Teachers	Edinburg	TX	$97,357,781	Hispanic Americans	12,677	Yes

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Southern	1409	El Paso Area Teachers	El Paso	TX	$665,398,154	Asian Americans, Black Americans, Hispanic Americans	62,219	Yes
Southern	24769	Empowerment Community Development	Houston	TX	$1,111,796	Black Americans	723	Yes
Southern	1792	Evolve	El Paso	TX	$315,625,615	Hispanic Americans	20,001	Yes
Southern	12859	Faith Cooperative	Dallas	TX	$1,528,221	Black Americans	877	Yes
Southern	10174	Firstlight	El Paso	TX	$1,134,339,776	Asian Americans, Hispanic Americans	108,763	Yes
Southern	20267	Frio County	Pearsall	TX	$6,481,577	Hispanic Americans	1,504	No
Southern	9843	Friona Texas	Friona	TX	$13,282,517	Hispanic Americans	1,631	Yes
Southern	7092	Galveston School Employees	Galveston	TX	$3,128,064	Black Americans, Hispanic Americans	1,161	Yes
Southern	60058	Gecu	El Paso	TX	$2,939,087,041	Hispanic Americans	394,511	Yes
Southern	4015	Generations Community	San Antonio	TX	$551,806,963	Black Americans, Hispanic Americans	48,874	Yes
Southern	60307	Grand Prairie	Grand Prairie	TX	$18,044,504	Black Americans, Hispanic Americans	1,891	No
Southern	4060	Gulf Coast	Corpus Christi	TX	$211,426,089	Hispanic Americans	12,738	Yes
Southern	4148	Highway District 21	McAllen	TX	$41,483,434	Hispanic Americans	3,501	Yes
Southern	5450	Homeport	Corpus Christi	TX	$13,064,661	Hispanic Americans	2,876	Yes
Southern	24570	Houston Metropolitan	Houston	TX	$60,289,636	Black Americans, Hispanic Americans	16,341	Yes
Southern	68675	Jafari No-Interest	Houston	TX	$1,210,938	Asian Americans	319	No
Southern	14734	La Joya Area	La Joya	TX	$49,318,848	Hispanic Americans	15,843	Yes
Southern	11011	Laredo	Laredo	TX	$121,735,941	Hispanic Americans	19,506	Yes
Southern	12472	Laredo Fire Department	Laredo	TX	$12,649,527	Hispanic Americans	1,611	Yes
Southern	68529	Light Commerce	Houston	TX	$2,786,843	Black Americans	824	Yes
Southern	67658	Members First	Corpus Christi	TX	$130,672,860	Hispanic Americans	11,894	No

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Southern	24324	Met Tran	Houston	TX	$8,365,703	Black Americans	2,599	Yes
Southern	24605	Mount Olive Baptist Church	Arlington	TX	$7,609,086	Black Americans	1,319	No
Southern	856	Mountain Star	El Paso	TX	$30,145,868	Hispanic Americans	4,425	Yes
Southern	10994	Naft	Pharr	TX	$89,809,260	Hispanic Americans	11,710	Yes
Southern	68615	Navy Army Community	Corpus Christi	TX	$3,264,304,436	Hispanic Americans	188,405	Yes
Southern	67578	Nce	Corpus Christi	TX	$5,154,585	Hispanic Americans	1,560	Yes
Southern	24384	Nizari Progressive	Sugar Land	TX	$173,723,382	Asian Americans	13,021	No
Southern	24804	Oak Cliff Christian	Dallas	TX	$6,343,015	Black Americans	1,950	Yes
Southern	17067	Our Mother Of Mercy Parish Houston	Houston	TX	$3,038,031	Black Americans	702	Yes
Southern	17105	Pear Orchard	Beaumont	TX	$992,750	Black Americans	332	Yes
Southern	15817	Pilgrim Cucc	Houston	TX	$918,392	Black Americans	262	Yes
Southern	24818	Pioneer Mutual	Sugar Land	TX	$176,869,473	Asian Americans	8,955	No
Southern	7023	Port Arthur Community	Port Arthur	TX	$19,112,041	Asian Americans, Black Americans, Hispanic Americans	2,460	Yes
Southern	8413	Port Arthur Teachers	Port Arthur	TX	$33,039,237	Black Americans	3,502	Yes
Southern	21029	Port Of Houston Warehouse	Houston	TX	$5,076,959	Black Americans	268	No
Southern	2077	Prairie View	Prairie View	TX	$3,847,489	Black Americans	770	Yes
Southern	2131	Primeway	Houston	TX	$528,009,775	Asian Americans, Black Americans, Hispanic Americans, Native Americans	47,673	Yes
Southern	24867	Redeemer	Greenville	TX	$2,286,303	Black Americans	590	No
Southern	61532	Reeves County Teachers	Pecos	TX	$13,319,167	Hispanic Americans	1,691	Yes
Southern	68439	Resource One	Dallas	TX	$541,219,288	Black Americans, Hispanic Americans	66,344	Yes
Southern	926	River City	San Antonio	TX	$104,689,598	Hispanic Americans	11,458	Yes
Southern	5547	Security First	McAllen	TX	$341,103,720	Hispanic Americans	51,114	Yes
Southern	3064	Select	San Antonio	TX	$46,765,989	Black Americans, Hispanic Americans	6,723	Yes

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Southern	8237	South Texas	McAllen	TX	$46,141,295	Hispanic Americans	7,176	Yes
Southern	68300	South Texas Area Resources	Corpus Christi	TX	$46,053,750	Hispanic Americans	5,291	Yes
Southern	7024	South Texas Regional	Laredo	TX	$5,832,566	Hispanic Americans	1,334	Yes
Southern	60533	Southwest Heritage	Odessa	TX	$171,605,817	Hispanic Americans	11,928	Yes
Southern	67512	Star Of Texas	Austin	TX	$36,349,220	Black Americans, Hispanic Americans	3,058	Yes
Southern	18559	Starr County Teachers	Rio Grande City	TX	$30,528,782	Hispanic Americans	5,048	Yes
Southern	10776	Teachers Alliance	Longview	TX	$805,967	Black Americans	597	Yes
Southern	20147	Team Financial	Houston	TX	$5,082,132	Black Americans, Hispanic Americans	1,317	Yes
Southern	67579	Tex Mex	Laredo	TX	$11,140,494	Hispanic Americans	3,779	Yes
Southern	5497	Texas	Dallas	TX	$56,420,586	Black Americans	7,089	Yes
Southern	61306	Texas Bridge	Corpus Christi	TX	$59,915,598	Hispanic Americans	6,743	No
Southern	1879	Texas Community	Kingsville	TX	$18,876,190	Hispanic Americans	2,396	Yes
Southern	18218	Texas Lee	Houston	TX	$889,375	Asian Americans	110	No
Southern	13931	Third Coast	Corpus Christi	TX	$13,756,006	Hispanic Americans	1,922	No
Southern	850	Valley	Brownsville	TX	$78,732,009	Hispanic Americans	9,627	No
Southern	21788	Valwood Park	Carrollton	TX	$22,597,576	Black Americans, Hispanic Americans	2,685	No
Southern	5555	Waconized	Waco	TX	$4,034,470	Black Americans	546	Yes
Southern	67592	West Texas	Odessa	TX	$57,547,328	Asian Americans, Black Americans, Hispanic Americans	5,104	Yes
Western	67005	National J. A. C. L.	Salt Lake City	UT	$30,018,576	Asian Americans	3,551	No
Eastern	10636	Brunswick County Teachers	Lawrenceville	VA	$527,348	Black Americans	460	Yes
Eastern	60111	Cadmus Credit Union Incorporated	Richmond	VA	$1,356,823	Black Americans	433	No
Eastern	66929	Credit Union Of Richmond Incorporat	Richmond	VA	$68,567,394	Black Americans	6,795	No

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Eastern	1407	Democracy	Alexandria	VA	$154,132,447	Black Americans	14,150	Yes
Eastern	24535	First Baptist Church Of Vienna (Va)	Vienna	VA	$1,184,230	Black Americans	364	No
Eastern	19416	Glamorgan Employees	Lynchburg	VA	$1,447,209	Black Americans	298	No
Eastern	23760	Halifax County Community	South Boston	VA	$5,887,112	Black Americans	4,667	Yes
Eastern	11986	High Street Baptist Church	Roanoke	VA	$2,106,987	Black Americans	311	Yes
Eastern	5970	Metropolitan Church	Suffolk	VA	$9,651,857	Black Americans	2,018	No
Eastern	24640	Mount Pleasant Baptist Church	Alexandria	VA	$231,772	Black Americans	133	Yes
Eastern	66896	Petersburg Fed Ref Credit Union Inc	Hopewell	VA	$3,770,578	Black Americans	752	No
Eastern	21367	Planters	Suffolk	VA	$2,941,633	Black Americans	1,034	Yes
Eastern	22049	Port Of Hampton Roads Ila	Norfolk	VA	$5,970,366	Black Americans	1,550	Yes
Eastern	4833	Portsmouth Schools	Portsmouth	VA	$2,067,904	Black Americans	905	Yes
Eastern	1282	Richmond Heritage	Richmond	VA	$7,079,253	Black Americans	2,329	Yes
Eastern	24616	Tbc	Richmond	VA	$168,552	Black Americans	122	Yes
Eastern	19867	Urw Community	Danville	VA	$198,529,546	Asian Americans, Black Americans, Hispanic Americans, Native Americans	30,021	Yes
Eastern	3029	Virginia State University	South Chesterfield	VA	$9,093,283	Black Americans	2,040	Yes
Southern	7989	Christiansted	Christiansted	VI	$24,070,053	Black Americans	3,044	Yes
Southern	8069	Frederiksted	Frederiksted	VI	$18,635,590	Asian Americans, Hispanic Americans	2,985	Yes
Southern	23811	Mid-Island	Christiansted	VI	$12,900,896	Black Americans	2,216	Yes
Southern	7970	St. Thomas	Charlotte Amalie	VI	$69,107,347	Black Americans	7,486	Yes
Southern	23294	Vitelco Employees	Charlotte Amalie	VI	$1,771,923	Black Americans	382	Yes
Western	68304	Lower Valley	Sunnyside	WA	$136,897,296	Hispanic Americans	18,770	Yes
Western	66806	Greater Galilee Baptist	Milwaukee	WI	$238,185	Black Americans	193	Yes

Appendix 3: Minority Depository Institutions by State

Region	Charter Number	Name	City	State	Assets	Minority Category(ies)	Total Members	Low-Income Designated
Western	68044	Holy Redeemer Community Of Se Wis.	Milwaukee	WI	$816,497	Black Americans	259	Yes
Western	24648	Lco	Hayward	WI	$1,767,301	Native Americans	1,546	Yes
Eastern	68112	W. Virginia State Convention	Hilltop	WV	$321,270	Black Americans	185	Yes

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