



Partnership for Progress: Preserving and Promoting Minority Depository Institutions

Banking and the Economy: A Forum for Minorities in Banking

September 26, 2019

Partnership for Progress

- The Federal Reserve's Partnership for Progress (PfP) program was established in 2008 to support an inclusive financial system and to facilitate access to credit and other financial services in traditionally underserved areas.
- Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), as amended by the Dodd-Frank Act, requires the Federal Reserve to preserve and promote minority depository institutions (MDIs).
- Fourteen MDIs are state-member banks supervised by the Federal Reserve, representing approximately 2 percent of the financial institutions in the System's community bank portfolio.

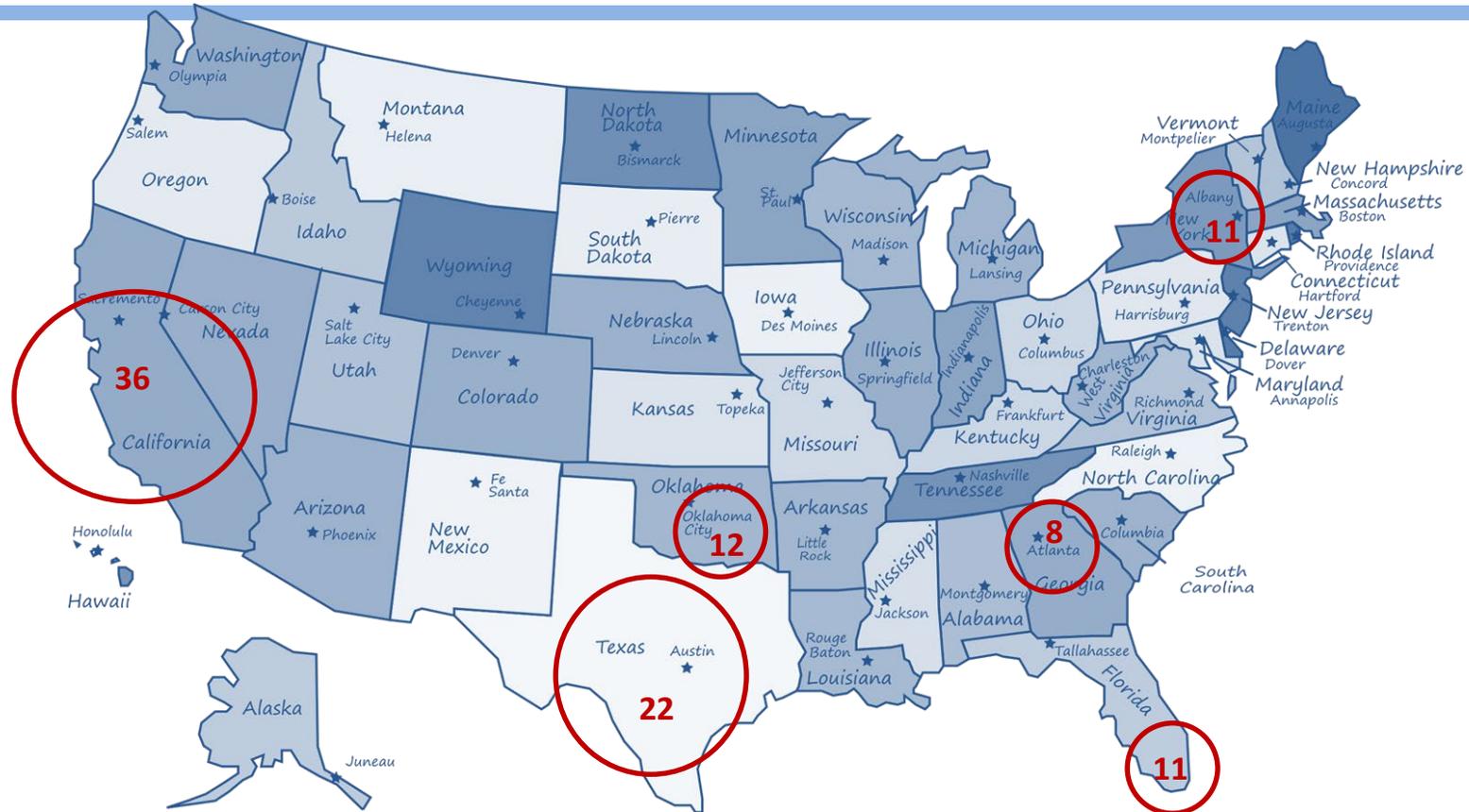
Partnership For Progress Program: Fulfilling the FIRREA/DFA MDI Mandate

- Partnership For Progress is the Federal Reserve's multi-division and system-wide program to promote the general welfare of minority-owned/operated financial institutions. The Divisions of S&R and C&CA manage the program.
- Section 367 of Dodd-Frank (2010) amended Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989 to require that the Federal Reserve consult with the Treasury Department on methods to achieve the following goals:
 - Preserve the current number of minority depository institutions
 - Preserve their minority character in cases involving mergers or acquisition by using general preference guidelines
 - Provide technical assistance to prevent insolvency of currently solvent institutions
 - Provide training, technical assistance, and educational programs
 - Promote and encourage the creation of new MDIs

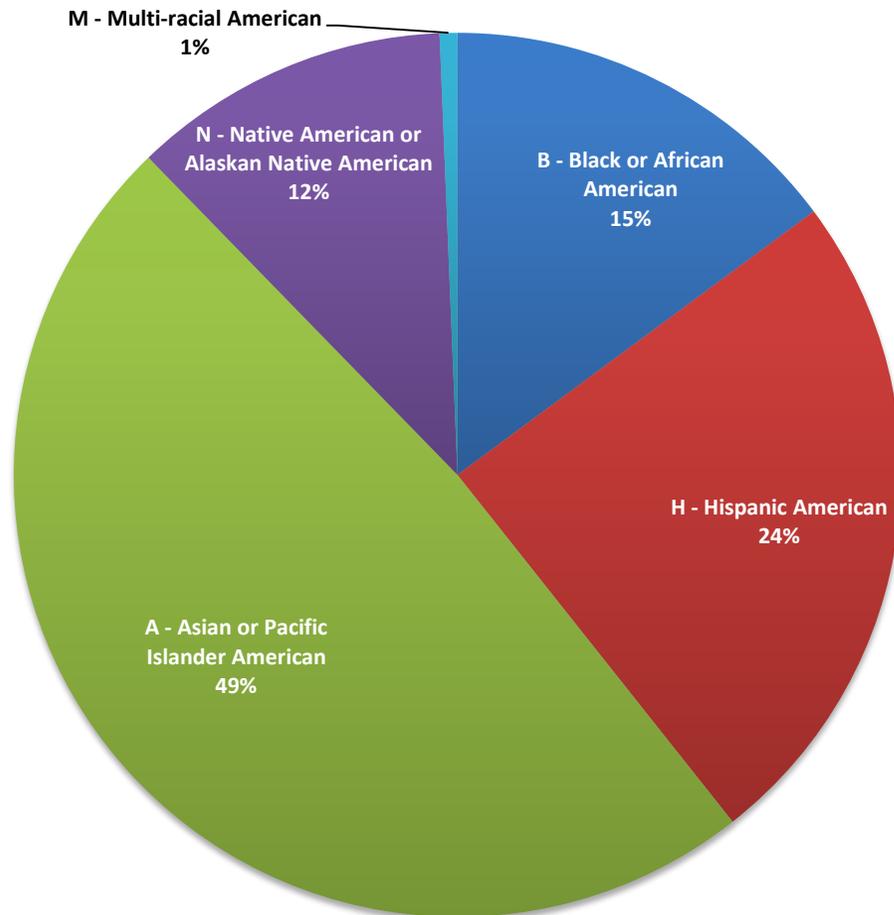
Definition of MDI

- As statutorily defined, a minority financial institution is any depository institution that:
 - If privately owned, 51 percent is owned by one or more socially and economically disadvantaged individuals
 - If publicly owned, 51 percent of the stock is owned by one or more socially and economically disadvantaged individuals
 - In addition to the ownership test, the Federal Reserve will consider an institution to be an MDI if a majority of its board of directors is a minority and the community served is predominantly minority.
- Minority:
 - Black American
 - Native American
 - Hispanic American
 - Asian American

MDIs are primarily located around metro areas



Source: FDIC



Currently 148 total MDIs as of Q1 2019.

Consistent with national demographics for all MDIs, as of 2nd quarter 2018, most state-member MDIs were under Asian American ownership

Breakdown:

73 – Asian or Pacific Islander American

35 – Hispanic American

22 – Black or African American

18 – Native American or Alaskan Native American

Why Care about MDIs?

- MDIs often serve financially underserved and/or low-income communities and can help to stabilize communities.
- Access to financial services is important for economic opportunity.
- Working with diverse institutions helps us understand the impact of the economy on a wider range of the population.
- Culturally sensitive and in-language service can be particularly important for recent immigrants.



What is Partnership for Progress?

Partnership for Progress is a Federal Reserve System program created to preserve and promote [minority-owned institutions](#) and enhance their ability to thrive in an increasingly competitive banking environment.

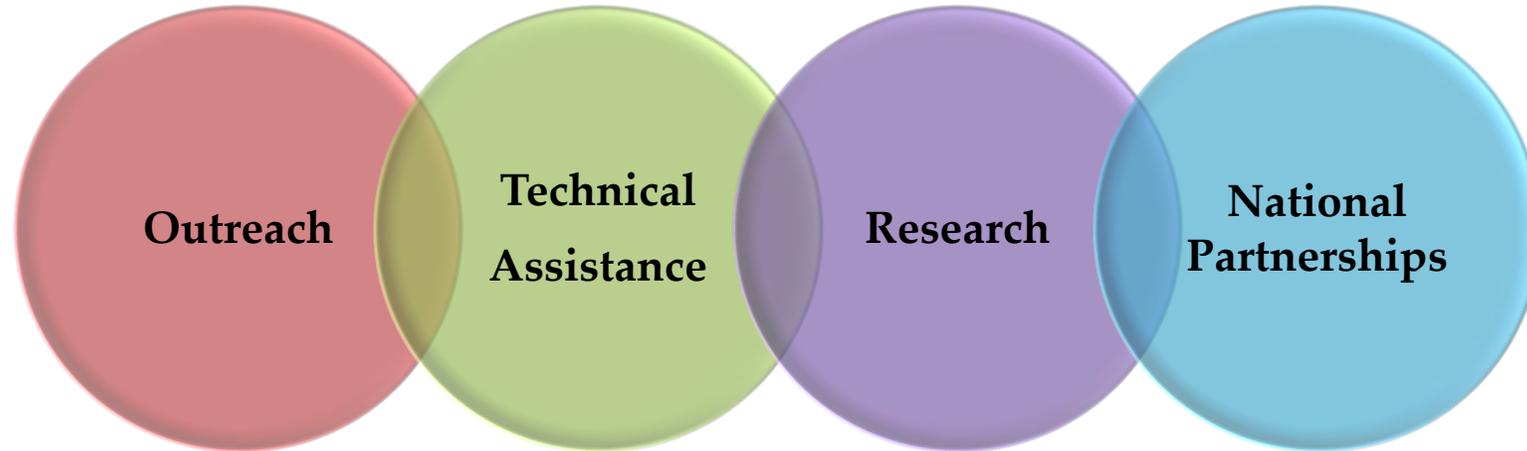
PfP is Centered Around Three Objectives:

Connection: Facilitate relationship building, engage industry stakeholders, and develop relationships to support the preservation and creation of MDIs.

Capacity Building: Provide organizational development and technical assistance to MDIs through Federal Reserve resources and collaboratively with the FDIC and OCC.

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.

PfP achieves it's objectives through:



Program Initiatives

- Outreach
 - District coordinators at each Reserve Bank
- Training and capacity building
 - BSA, CECL, technology strategies
 - Native American Financial Institutions Gathering
- National partnerships
 - Interagency (FDIC and OCC), CDFI Fund, MDI organizations (National Bankers Association), Minority Business Development Agency, Independent Community Bankers Association, Community Development Bankers Association, Minneapolis Fed Center for Indian Country Development
 - Track programs and trends impacting MDIs
- Research
 - Commissioned 2 external academics to produce MDI research:
 - Minority Depository Institutions: Evolving Financial Technologies and the Challenge of Governance,
 - “Is the Community Reinvestment Act Effective for Indian Country?”
 - FRB Chicago research

Resources

- [2018 Annual Report to Congress](#)
- [Partnership for Progress website](#)
 - Research under “Federal Reserve Resources” tab
- [Federal Reserve Board of Governors website](#)