Remarks

by

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to

The National Bankers Association

92nd Annual Convention

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Washington, D.C.

Good morning. Thank you for inviting me to join you today.

Let me start by congratulating you on your 92nd Annual Convention. You have served as the voice of minority banks for more than nine decades – almost a century. That is a truly remarkable accomplishment.

When I joined the FDIC as Chairman last year, I made it a priority to increase the agency's efforts to promote and preserve minority depository institutions (MDIs). The National Bankers Association (NBA) has been a key partner in focusing our efforts and achieving our goals in this area.

Kenneth Kelly joined the FDIC's Advisory Committee on Community Banking last October, and he has consistently brought forward the voice of minority bankers in that forum. Together with the NBA leadership team, Kenneth and I have worked to identify and provide the tools and resources MDIs need to be profitable and serve their communities.

I have also met one-on-one with several NBA members, as well as other MDIs around the country that are not active members of a minority trade group.

Their valuable input has informed the FDIC's efforts to engage MDIs and promote collaboration with the broader banking industry on the sharing of best practices. Let me briefly talk about some of these initiatives.

In June, we welcomed 10 large banks and seven minority banks to Washington for what I jokingly call a "speed dating" event. The large banks ranged in size from $9 billion to $108 billion. The minority banks included three NBA members. Each roundtable participant had outlined in advance the types of partnerships they were seeking and, during the roundtable, MDIs and large banks met one-on-one to explore partnership opportunities.

Following the roundtable, several large banks told us what a great opportunity it was to find mutually beneficial partnerships, and how eager they were to start working with the MDIs and help them have a bigger impact on their communities. One of the large banks drafted a proposal to expand their partnerships beyond the seven MDIs at the June roundtable. One MDI reported that it has partnered with three larger banks from the event. The partnership consisted of a variety of technical assistance sessions regarding the MDI's compliance and Community Reinvestment Act (CRA) activities.

This is exactly the type of outcome we were hoping for, and the FDIC stands ready to serve as a resource for any MDI that wants to partner with large banks – or any other bank that wants to partner with MDIs – and has questions about next steps.

Based on the success of the June event, the FDIC is planning similar roundtables in Atlanta on October 17 and in Chicago on November 7. To date, three NBA banks have registered for the Atlanta event. Next year, we will host additional events in the Midwest and on the west coast.

One of the points we are emphasizing at our roundtables is that large banks can be considered for credit under the CRA for partnering with MDIs. CRA officers at many larger institutions are not aware of how partnering with MDIs – whether through financial support, lending activities, or service activities including technical assistance – can count for CRA credit. In addition, there may be differences in how examiners count these activities.

In response, we are updating our examiner instructions for the CRA Performance Evaluation. Examiners are asked to include a description of activities involving minority- or women-owned financial institutions or low-income credit unions under the applicable performance criteria if they are not discussed elsewhere in the evaluation. We will also hold a call next month with examiners to discuss the updated instructions. In addition, we have reached out to our counterparts at the OCC and Federal Reserve to ask them to similarly consider updating the Performance Evaluation for MDI activities.

We also will continue to discuss the benefits of MDI partnerships with CRA officers at large banks during our roundtables. And we plan to engage our network of community affairs specialists around the country to discuss these benefits at outreach events they participate in, including with bankers and state CRA officer associations.

We are converting the *Resource Guide for Collaboration with Minority Depository Institutions*,[1] which we published in December 2017, into a user-friendly brochure that we can share at our outreach events.

As I noted in my testimony before the House and Senate banking committees in May, the FDIC is forming a new MDI Subcommittee to its Advisory Committee on Community Banking.[2] The new subcommittee will focus on the issues, tools, and resources that are unique to MDIs. The inaugural meeting for this subcommittee will be in early December and will include a listening session with MDI CEOs. The agenda also will include discussions about the FDIC's

[1] Available at https://www.fdic.gov/regulations/resources/minority/collaboration/resource-guide.pdf.

[2] See statement of FDIC Chairman Jelena McWilliams on "Oversight of Financial Regulators" before the Committee on Banking, Housing and Urban Affairs, U.S. Senate at https://www.fdic.gov/news/news/speeches/spmay1519.html (May 15, 2019) and statement of FDIC Chairman Jelena McWilliams on "Oversight of Prudential Regulators: Ensuring the Safety, Soundness, and Accountability of Megabanks and Other Depository Institutions" before the Committee on Financial Services, U.S. House of Representatives at https://www.fdic.gov/news/news/speeches/spmay1619.html (May 16, 2019).

supervision and examination framework for MDIs and the draft update for our Policy Statement Regarding Minority Depository Institutions.

Updating the policy statement will allow us to incorporate language related to MDI supervision that is currently in our examiner instructions. Generally, the instructions state that examiners should recognize and consider an MDI's unique characteristics and core objectives – in addition to the risk it poses to the Deposit Insurance Fund – when evaluating the institution's financial condition and risk-management practices.

The examiner instructions provide examples of how to look at earnings, for example, in the context of an MDI. The instructions also address benchmarking. It can be a useful analytical tool, but examiners should not place undue emphasis on peer analysis when evaluating any bank's earnings performance.

We continue to work on updating the policy statement, and will issue it for public notice and comment before the FDIC Board of Directors takes a final vote on the update.

As Chairman, one of my priorities has been to ensure that our regulations are appropriate for the size and complexity of the banks we supervise. I have said several times in the past: we have made our regulatory system way too complicated for banks that are not that complicated.

With respect to MDIs, I am hopeful that this new subcommittee will be able to help us identify additional opportunities to provide regulatory relief for MDIs with less-complex balance sheets while maintaining safety and soundness. We have heard that regulatory action is needed in areas like CRA and the Bank Secrecy Act, among others. I will be looking to the subcommittee to help us prioritize these areas and to identify others.

One of the requests I received from NBA leadership was for the FDIC to conduct additional outreach and education on our franchise-marketing process for failing MDIs. Starting last October, the FDIC has held workshops at three annual regional roundtables, a Native-American gathering, and the interagency MDI conference in June. We also held two webinars for MDIs across the country, as well as a dedicated webinar for NBA members. Our goal in providing these workshops is to help MDIs become more competitive in the bidding process.

In addition, we continue to stand ready to provide one-on-one technical assistance to bidders before, during, and after the bidding process. I know that several MDIs have already taken advantage of this offer, and if you are interested in acquiring a failing bank from the FDIC in its capacity as receiver, I encourage you to continue to request this technical assistance.

One of the FDIC's statutory goals is to preserve the minority character of an institution in the event of failure. We recently published a research study[3] that 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 failed-bank assets during this period, 86 percent were acquired by another minority bank.

I am pleased with this track record, but the FDIC continues to look at our processes for resolutions and receiverships to find additional ways to meet our statutory goal. One area we identified for modification is our process for marketing failing MDIs. Going forward, when a new marketing initiative begins, we will provide a two-week window exclusively for MDIs.

During this two-week period, the FDIC will contact all qualified MDIs on the bid list to ensure they received an invitation to bid. We will also assist with granting full access to the data room if an MDI is interested. We will describe in detail the failing bank transaction and offer technical assistance. At the expiration of the two-week dedicated MDI marketing window, the FDIC will launch the failing bank project to all other qualified institutions on the bid list for their review. At that point, scheduling of on-site due diligence will be granted to institutions on a first-come, first-served basis.

I hope that these initiatives will enable us to further preserve minority character in the case of a failing MDI.

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[3] *Minority Depository Institutions: Structure, Performance, and Social Impact*, available at https://www.fdic.gov/bank/analytical/quarterly/2014-vol8-3/mdi-study.pdf.

Our recent research study also highlighted some information that further demonstrates the essential role that MDIs play in serving low- or moderate-income (LMI) customers and minority customers. For example:

- 69 percent of the median African-American MDI's customers live in LMI areas, as well as
- 45 percent of the median Asian-American MDI's customers, and
- 30 percent of the median Hispanic-American MDI's customers.

Non-MDIs don't have the same reach into these communities.

- Among non-MDI metro community banks, 21 percent of their median customers live in LMI areas; and
- Among non-MDI *non*-community banks (generally larger banks), 26 percent of their median customers do.

MDIs are vital service providers for minority populations, which have higher percentages of unbanked households than other groups.

The FDIC's *2017 National Survey of Unbanked and Underbanked Households*,[4] shows that nearly 17 percent of African-American households and 14 percent of Hispanic-American households are unbanked, meaning they do not have an insured bank account.

This data confirms the importance of your mission. In some cases, if not for your institutions, individuals in LMI communities might not have access to banking services. You help create jobs, grow small businesses, and build wealth. Because of the investments you make in your communities, your customers have a better opportunity to achieve their American dream.

[4] Available at https://www.fdic.gov/householdsurvey/.

Thank you again for the efforts you undertake every day to serve your communities, and for the opportunity to share my thoughts on your critical role.

I look forward to continuing to work together to promote and sustain the vibrant role of the minority banking community in the U.S. financial system.